



Dave Yost • Auditor of State

**CAMPBELL CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District, Mahoning County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 26, 2013

Campbell City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As management of the Campbell City School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net assets decreased due to a reduction in grant monies resulting from the completion of the ARRA grants as well as to a reduction in net capital assets. The decrease in net capital assets was due to an additional year of depreciation. The decrease in net assets was partially offset by a reduction in total liabilities resulting from a decrease in matured compensated absences payable and the continued pay-down of debt.
- The capital asset addition for fiscal year 2012 was the purchase of a new school bus.
- Outstanding long-term obligations decreased during fiscal year 2012 due to annual general obligation debt and capital lease payments.
- Program expenses decreased due to lower instructional expenditures resulting from a reduction in certified staff.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

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Management's Discussion and Analysis
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Unaudited

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the bond retirement fund.

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

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Assets for 2012 compared to 2011.

Campbell City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1
 Net Assets
 Governmental Activities

	2012	2011	Change
Assets			
Current and Other Assets	\$5,401,625	\$5,944,887	(\$543,262)
Capital Assets, Net	32,613,945	33,592,121	(978,176)
Total Assets	38,015,570	39,537,008	(1,521,438)
Liabilities			
Current Liabilities	4,079,052	4,498,936	419,884
Long-Term Liabilities			
Due Within One Year	349,413	439,597	90,184
Due in More Than One Year	4,172,523	4,343,968	171,445
Total Liabilities	8,600,988	9,282,501	681,513
Net Assets			
Invested in Capital Assets, Net of Related Debt	29,142,944	29,810,119	(667,175)
Restricted for:			
Capital Projects	59,859	70,164	(10,305)
Debt Service	404,637	401,213	3,424
Set Asides	80,192	85,084	(4,892)
Other Purposes	752,575	928,126	(175,551)
Unrestricted (Deficit)	(1,025,625)	(1,040,199)	14,574
Total Net Assets	\$29,414,582	\$30,254,507	(\$839,925)

Current assets decreased as a result of a decrease in intergovernmental receivables due to the completion of the ARRA grants. The decrease in capital assets was due to current year depreciation outpacing additions to capital assets.

Current liabilities decreased during fiscal year 2012 due to a decrease in deferred revenue as well as a decrease in matured compensated absences payable resulting from fewer employees retiring at year end. Long-term liabilities also decreased which can be attributed to annual payments on the School District's general obligation bonds and capital leases.

Campbell City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 compared to 2011.

Table 2
 Governmental Activities

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Program Revenues			
Charges for Services and Sales	\$256,649	\$286,503	(\$29,854)
Operating Grants, Contributions and Interest	1,881,194	3,629,279	(1,748,085)
<i>Total Program Revenues</i>	<u>2,137,843</u>	<u>3,915,782</u>	<u>(1,777,939)</u>
General Revenues			
Property Taxes	2,221,856	2,241,130	(19,274)
Grants and Entitlements	10,884,747	10,050,837	833,910
Investment Earnings	376	1,973	(1,597)
Miscellaneous	86,550	100,543	(13,993)
<i>Total General Revenues</i>	<u>13,193,529</u>	<u>12,394,483</u>	<u>799,046</u>
<i>Total Revenues</i>	<u>15,331,372</u>	<u>16,310,265</u>	<u>(978,893)</u>
Program Expenses			
Instruction:			
Regular	7,392,222	7,959,086	566,864
Special	2,279,953	2,537,337	257,384
Vocational	234,045	207,296	(26,749)
Student Intervention Services	222,049	572,399	350,350
Support Services			
Pupil	388,600	334,230	(54,370)
Instructional Staff	637,706	660,342	22,636
Board of Education	24,939	20,483	(4,456)
Administration	891,437	961,633	70,196
Fiscal	303,674	324,170	20,496
Business	0	56,866	56,866
Operation and Maintenance of Plant	1,890,515	1,513,072	(377,443)
Pupil Transportation	380,863	449,219	68,356
Operation of Non-Instructional Services	48,706	82,160	33,454
Operation of Food Services	729,393	627,551	(101,842)
Extracurricular Activities	526,897	641,326	114,429
Interest and Fiscal Charges	220,298	218,068	(2,230)
<i>Total Program Expenses</i>	<u>16,171,297</u>	<u>17,165,238</u>	<u>993,941</u>
<i>Decrease in Net Assets</i>	(839,925)	(854,973)	15,048
Net Assets Beginning of Year	<u>30,254,507</u>	<u>31,109,480</u>	<u>(854,973)</u>
Net Assets End of Year	<u>\$29,414,582</u>	<u>\$30,254,507</u>	<u>(\$839,925)</u>

Campbell City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As can be seen from Table 2, the School District relies heavily upon property taxes and foundation monies to support its operations. The School District also receives additional grant and entitlement funds to help offset operating costs.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 14.49 percent of revenues for governmental activities for Campbell City School District in fiscal year 2012 versus 13.74 percent in fiscal year 2011.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teachers' salaries and benefits which increase at set levels every year through negotiated agreements.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2012 compared to 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Campbell City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2012		2011	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$7,392,222	\$7,077,644	\$7,959,086	\$6,928,037
Special	2,279,953	1,456,921	2,537,337	1,342,399
Vocational	234,045	234,045	207,296	207,296
Student Intervention Services	222,049	222,049	572,399	200,177
Support Services:				
Pupil	388,600	309,420	334,230	307,182
Instructional Staff	637,706	637,706	660,342	382,028
Board of Education	24,939	24,939	20,483	20,483
Administration	891,437	828,063	961,633	909,423
Fiscal	303,674	303,674	324,170	324,170
Business	0	0	56,866	56,866
Operation and Maintenance of Plant	1,890,515	1,804,669	1,513,072	1,440,300
Pupil Transportation	380,863	356,734	449,219	386,761
Operation of Non-Instructional Services	48,706	46,706	82,160	(12,468)
Operation of Food Services	729,393	105,565	627,551	81,664
Extracurricular Activities	526,897	405,021	641,326	457,070
Interest and Fiscal Charges	220,298	220,298	218,068	218,068
Total	<u>\$16,171,297</u>	<u>\$14,033,454</u>	<u>\$17,165,238</u>	<u>\$13,249,456</u>

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through property taxes and other general revenues.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. Despite an increase in revenues, the general fund had a decrease in fund balance as expenditures continued to outpace revenues. Despite a small decrease in revenues, the bond retirement fund had an increase in fund balance as revenues continued to outpace debt service expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2012, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Campbell City School District
Management's Discussion and Analysis
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Unaudited

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The change was attributed mainly to increases in intergovernmental revenue.

The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in estimate for instructional activities and support services resulting from careful spending controls.

Capital Assets and Long-term Obligations

Capital Assets

Table 4 shows fiscal 2012 balances compared to fiscal 2011.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2012	2011
Land	\$130,245	\$130,245
Land Improvements	466,363	528,333
Buildings and Improvements	31,053,407	31,835,741
Furniture, Fixtures and Equipment	762,294	916,907
Vehicles	201,636	180,895
Total Capital Assets	\$32,613,945	\$33,592,121

The decrease in capital assets was due to the current year depreciation outpacing additional purchases. During fiscal year 2012, the School District purchased a new school bus. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

Long-term Obligations

Table 5 below summarizes the School District's long-term obligations.

Table 5
 Outstanding Long-term Obligations at June 30
 Governmental Activities

	2012	2011
General Obligation Bonds	\$1,913,661	\$2,027,745
Capital Leases Payable	1,947,000	2,078,000
Compensated Absences	661,275	677,820
Total	\$4,521,936	\$4,783,565

The School District's overall legal debt margin was \$4,728,234 with an unvoted debt margin of \$65,543. For more information about the School District's long-term obligations, see Note 16 to the basic financial statements.

Campbell City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

School District Outlook

The School District which consists of a diverse student population is committed to educational progress as well as financial responsibility. However, the financial future of the School District is not without challenges. The School District continues to rely heavily upon grants and State funding. Federal Title I and Title VI-B funds greatly impact the general fund balance since any excess costs not covered by grant monies default to the general fund. As part of the American Recovery Reinvestment Act (ARRA), the School District was eligible to receive State Fiscal Stabilization Funds (SFSF) to offset losses in State Foundation in fiscal years 2010 and 2011. It is important to note that the School District has not been awarded additional stimulus money for fiscal year 2012 and thereafter. However, the School District was selected to receive \$522,031 due to the creation of a new federal program called the Education Jobs Fund (Ed Jobs). In fiscal years 2011 and 2012, the School District received Education Jobs grant monies of \$113,153 and \$388,565, respectively. The remaining amount of \$20,313 was received in early fiscal year 2013.

On May 4, 2010, the citizens of Campbell overwhelmingly renewed the School District's Emergency Levy in the amount of \$989,711 per year for a five year period. The Mahoning County Auditor's office certified the estimated property tax millage rate to be 12.0 mills (down from 14.1 mills in 2005).

The School District received the Ohio Auditor of State Award for fiscal years 2010 and 2011. This award was given for filing timely financial reports in accordance with GAAP, as well as receiving a "clean" audit report. The "clean" audit report signifies that our financial audit did not contain any findings for recovery, material citations or weaknesses, significant deficiencies, single audit findings or any questioned costs.

The taxpayers of the City of Campbell can take pride in the commitment to financial accountability made by the Treasurer, Superintendent and Board of Education, given that clean and accurate record-keeping is the foundation for good government.

Contacting the School District's Financial Management Personnel

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

Campbell City School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,994,439
Accounts Receivable	2,678
Intergovernmental Receivable	449,024
Inventory Held for Resale	9,508
Materials and Supplies Inventory	2,010
Property Taxes Receivable	2,903,734
Deferred Charges	40,232
Nondepreciable Capital Assets	130,245
Depreciable Capital Assets, Net	<u>32,483,700</u>
<i>Total Assets</i>	<u>38,015,570</u>
Liabilities	
Accounts Payable	9,210
Accrued Wages and Benefits	1,471,103
Intergovernmental Payable	392,199
Matured Compensated Absences Payable	22,413
Vacation Benefits Payable	80,790
Deferred Revenue	2,099,872
Accrued Interest Payable	3,465
Long-Term Liabilities:	
Due Within One Year	349,413
Due In More Than One Year	<u>4,172,523</u>
<i>Total Liabilities</i>	<u>8,600,988</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	29,142,944
Restricted for:	
Capital Projects	59,859
Debt Service	404,637
Set Asides	80,192
Other Purposes	752,575
Unrestricted (Deficit)	<u>(1,025,625)</u>
<i>Total Net Assets</i>	<u><u>\$29,414,582</u></u>

See accompanying notes to the basic financial statements

Campbell City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense)	
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets	
Expenses			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$7,392,222	\$31,270	\$283,308	(\$7,077,644)
Special	2,279,953	0	823,032	(1,456,921)
Vocational	234,045	0	0	(234,045)
Student Intervention Services	222,049	0	0	(222,049)
Support Services:				
Pupil	388,600	0	79,180	(309,420)
Instructional Staff	637,706	0	0	(637,706)
Board of Education	24,939	0	0	(24,939)
Administration	891,437	0	63,374	(828,063)
Fiscal	303,674	0	0	(303,674)
Operation and Maintenance of Plant	1,890,515	8,000	77,846	(1,804,669)
Pupil Transportation	380,863	0	24,129	(356,734)
Operation of Non-Instructional Services	48,706	0	2,000	(46,706)
Operation of Food Services	729,393	101,189	522,639	(105,565)
Extracurricular Activities	526,897	116,190	5,686	(405,021)
Interest and Fiscal Charges	220,298	0	0	(220,298)
<i>Totals</i>	<u>\$16,171,297</u>	<u>\$256,649</u>	<u>\$1,881,194</u>	<u>(14,033,454)</u>

General Revenues

Property Taxes Levied for:

General Purposes 2,023,122

Debt Service 171,674

Classroom Facilities Maintenance 27,060

Grants and Entitlements not

Restricted to Specific Programs 10,884,747

Investment Earnings 376

Miscellaneous 86,550

Total General Revenues 13,193,529

Change in Net Assets (839,925)

Net Assets Beginning of Year

(Restated - See Note 3) 30,254,507

Net Assets End of Year \$29,414,582

Campbell City School District

Balance Sheet

Governmental Funds

June 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$963,255	\$353,407	\$597,585	\$1,914,247
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	80,192	0	0	80,192
Accounts Receivable	0	0	2,678	2,678
Intergovernmental Receivable	13,495	0	435,529	449,024
Interfund Receivable	34,164	0	0	34,164
Inventory Held for Resale	0	0	9,508	9,508
Materials and Supplies Inventory	0	0	2,010	2,010
Property Taxes Receivable	2,660,568	206,844	36,322	2,903,734
<i>Total Assets</i>	<u>\$3,751,674</u>	<u>\$560,251</u>	<u>\$1,083,632</u>	<u>\$5,395,557</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$126	\$0	\$9,084	\$9,210
Accrued Wages and Benefits	1,321,486	0	149,617	1,471,103
Interfund Payable	0	0	34,164	34,164
Intergovernmental Payable	390,314	0	1,885	392,199
Matured Compensated Absences Payable	22,413	0	0	22,413
Deferred Revenue	2,660,568	206,844	417,965	3,285,377
<i>Total Liabilities</i>	<u>4,394,907</u>	<u>206,844</u>	<u>612,715</u>	<u>5,214,466</u>
 Fund Balances				
Nonspendable	0	0	2,010	2,010
Restricted	81,309	353,407	555,688	990,404
Assigned	4,493	0	0	4,493
Unassigned (Deficit)	<u>(729,035)</u>	<u>0</u>	<u>(86,781)</u>	<u>(815,816)</u>
<i>Total Fund Balances (Deficit)</i>	<u>(643,233)</u>	<u>353,407</u>	<u>470,917</u>	<u>181,091</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,751,674</u>	<u>\$560,251</u>	<u>\$1,083,632</u>	<u>\$5,395,557</u>

See accompanying notes to the basic financial statements

Campbell City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances	\$181,091
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,613,945
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	803,862
Intergovernmental	381,643
Total	1,185,505
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	40,232
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(3,465)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(80,790)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(1,913,661)
Capital Leases Payable	(1,947,000)
Compensated Absences	(661,275)
Total	(4,521,936)
<i>Net Assets of Governmental Activities</i>	\$29,414,582

See accompanying notes to the basic financial statements

Campbell City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,867,977	\$169,437	\$24,780	\$2,062,194
Intergovernmental	10,826,620	58,127	1,968,730	12,853,477
Interest	376	0	14	390
Tuition and Fees	31,270	0	0	31,270
Extracurricular Activities	17,616	0	98,574	116,190
Contributions and Donations	2,292	0	5,829	8,121
Charges for Services	0	0	101,189	101,189
Rentals	8,000	0	0	8,000
Miscellaneous	70,278	0	16,272	86,550
<i>Total Revenues</i>	<u>12,824,429</u>	<u>227,564</u>	<u>2,215,388</u>	<u>15,267,381</u>
Expenditures				
Current:				
Instruction:				
Regular	6,406,912	0	522,817	6,929,729
Special	1,446,712	0	754,341	2,201,053
Vocational	233,391	0	0	233,391
Student Intervention Services	222,049	0	0	222,049
Support Services:				
Pupil	286,279	0	101,364	387,643
Instructional Staff	596,153	0	0	596,153
Board of Education	20,127	0	0	20,127
Administration	805,020	0	50,773	855,793
Fiscal	292,551	4,052	605	297,208
Operation and Maintenance of Plant	1,750,492	0	39,329	1,789,821
Pupil Transportation	377,811	0	27,888	405,699
Operation of Non-Instructional Services	0	0	53,041	53,041
Operation of Food Services	0	0	617,192	617,192
Extracurricular Activities	243,966	0	113,013	356,979
Capital Outlay	0	0	26,577	26,577
Debt Service:				
Principal Retirement	131,000	180,000	0	311,000
Interest and Fiscal Charges	108,195	42,475	0	150,670
<i>Total Expenditures</i>	<u>12,920,658</u>	<u>226,527</u>	<u>2,306,940</u>	<u>15,454,125</u>
<i>Net Change in Fund Balances</i>	(96,229)	1,037	(91,552)	(186,744)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(547,004)</u>	<u>352,370</u>	<u>562,469</u>	<u>367,835</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$643,233)</u></u>	<u><u>\$353,407</u></u>	<u><u>\$470,917</u></u>	<u><u>\$181,091</u></u>

See accompanying notes to the basic financial statements

Campbell City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$186,744)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	69,975
Depreciation	<u>(1,048,151)</u>

Total (978,176)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	159,662
Intergovernmental	<u>(95,671)</u>

Total 63,991

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 311,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	150
Bond Accretion	(69,779)
Amortization of Premium on Bonds	13,865
Amortization of Bond Issuance Costs	(3,862)
Amortization of Loss on Refunding	<u>(10,002)</u>

Total (69,628)

Some expenses reported in the statement of activities, such as compensated absences and vacation benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	16,545
Vacation Benefits Payable	<u>3,087</u>

Total 19,632

Change in Net Assets of Governmental Activities (\$839,925)

See accompanying notes to the basic financial statements

Campbell City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,849,039	\$1,867,977	\$1,867,977	\$0
Intergovernmental	10,703,502	10,813,125	10,813,125	0
Interest	372	376	376	0
Tuition and Fees	30,953	31,270	31,270	0
Contributions and Donations	430	435	435	0
Rentals	7,919	8,000	8,000	0
Miscellaneous	69,567	70,278	70,278	0
<i>Total Revenues</i>	12,661,782	12,791,461	12,791,461	0
Expenditures				
Current:				
Instruction:				
Regular	6,655,786	6,624,091	6,550,001	74,090
Special	1,476,051	1,469,029	1,464,160	4,869
Vocational	244,809	243,678	243,678	0
Student Intervention Services	223,110	222,049	222,049	0
Support Services:				
Pupil	297,095	295,682	295,351	331
Instructional Staff	589,148	586,345	577,126	9,219
Board of Education	21,116	21,016	20,366	650
Administration	876,016	871,849	855,770	16,079
Fiscal	320,390	318,866	314,766	4,100
Operation and Maintenance of Plant	1,883,503	1,874,543	1,765,412	109,131
Pupil Transportation	518,365	515,898	431,831	84,067
Extracurricular Activities	234,500	233,384	233,384	0
Debt Service:				
Principal Retirement	131,000	131,000	131,000	0
Interest and Fiscal Charges	108,195	108,195	108,195	0
<i>Total Expenditures</i>	13,579,084	13,515,625	13,213,089	302,536
<i>Excess of Revenues Under Expenditures</i>	(917,302)	(724,164)	(421,628)	302,536
Other Financing Sources (Uses)				
Advances In	157,189	157,189	157,189	0
Advances Out	(34,164)	(34,164)	(34,164)	0
<i>Total Other Financing Sources (Uses)</i>	123,025	123,025	123,025	0
<i>Net Change in Fund Balance</i>	(794,277)	(601,139)	(298,603)	302,536
<i>Fund Balance Beginning of Year</i>	613,368	613,368	613,368	0
Prior Year Encumbrances Appropriated	455,642	455,642	455,642	0
<i>Fund Balance End of Year</i>	\$274,733	\$467,871	\$770,407	\$302,536

See accompanying notes to the basic financial statements

Campbell City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Endowment	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$43,945	\$48,111
Liabilities		
Due to Students	0	\$48,111
Net Assets		
Held in Trust for Scholarships	\$43,945	

See accompanying notes to the basic financial statements

Campbell City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Endowment
Additions	
Interest	\$96
Deductions	
Scholarships Awarded	0
<i>Change in Net Assets</i>	96
<i>Net Assets Beginning of Year</i>	43,849
<i>Net Assets End of Year</i>	\$43,945

See accompanying notes to the basic financial statements

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Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District

Campbell City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 3 instructional/support facilities staffed by 126 certified employees and 82 classified employees who provide services to 1,298 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with two jointly governed organizations and one shared risk pool. These organizations are the Access Council of Governments, Mahoning County Career and Technical Center, and the Mahoning County School Employees Insurance Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

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

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund which accounts for a college scholarship donations for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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

The private purpose trust fund is accounted for using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for the general fund and at the fund level for all other funds. The treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds except the general fund.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificates that were in effect at the time when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which closely matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year-end in the majority of categories.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District had no investments during the fiscal year or at fiscal year end.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$376, of which \$172 was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated and purchased food held for resale and materials and supplies held for consumption.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund are monies required by State statute to be set-aside for budget stabilization. See Note 21 for additional information regarding set-asides.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Capital Assets

All capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	40 - 50 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	8 - 10 years

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. Net assets restricted for other purposes include resources restricted for instruction, support services, operation of non-instructional services, food service operations and extracurricular activities.

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

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the school improvement general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental fund financial statements bond issuance costs are recognized when the debt is issued.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Deferred Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented net of the general obligation bonds payable on the statement of net assets.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Estimates

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

Note 3 – Restatement of Prior Year Net Assets

During fiscal year 2012, due to a reappraisal of the School District's assets, it was determined that depreciable capital assets were understated at June 30, 2011.

	Governmental Activities
Net Assets, June 30, 2011	\$30,044,571
Depreciable Capital Assets, Net	209,936
Adjusted Net Assets, June 30, 2011	<u>\$30,254,507</u>

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$0	\$0	\$2,010	\$2,010
<i>Restricted for</i>				
Food Service Operations	0	0	72,226	72,226
Scholarships	0	0	9,888	9,888
Community Programs	0	0	232	232
Classroom Facilities Maintenance	0	0	354,844	354,844
Athletics	0	0	28,126	28,126
Non-Public Schools	0	0	2,413	2,413
Data and Information Systems	0	0	18,351	18,351
Gifted Students	0	0	6,267	6,267
Instructional Services	0	0	3,482	3,482
Debt Service Payments	0	353,407	0	353,407
Capital Improvements	0	0	59,859	59,859
Entry Year Programs	900	0	0	900
Professional Development	217	0	0	217
Budget Stabilization	80,192	0	0	80,192
<i>Total Restricted</i>	81,309	353,407	555,688	990,404
<i>Assigned to</i>				
Other Purposes	4,493	0	0	4,493
<i>Unassigned (Deficit)</i>	(729,035)	0	(86,781)	(815,816)
<i>Total Fund Balances (Deficit)</i>	(\$643,233)	\$353,407	\$470,917	\$181,091

Campbell City School District
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Note 5 – Fund Deficits

Fund balances at June 30, 2012, included the following individual fund deficits:

General Fund	\$643,233
<i>Special Revenue Funds:</i>	
Public Preschool	5,148
Title VI-B	19,722
Title I	47,279
Reducing Class Size	14,632

Management is currently analyzing the general fund to determine appropriate steps to alleviate the deficit.

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in the special revenue funds and provides transfers when cash is required, not when accruals occur.

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support, entry year program and school net professional development special revenue funds are classified to the general fund for GAAP reporting.

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The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$96,229)
Revenue Accruals	(12,795)
Advance In	157,189
Expenditure Accruals	(42,782)
Advance Out	(34,164)
Excess of revenues (over) under expenditures:	
Public School Support	(1,615)
Entry Year Program	(700)
Schoolnet Professional Development	623
Encumbrances	(268,130)
Budget Basis	(\$298,603)

Note 7 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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;

Campbell City School District
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3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Campbell City School District
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Due to the timing of tax bills sent by the County, there was no money available as an advance to the School District at June 30, 2012 or June 30, 2011.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$76,102,680	96.74%	\$62,869,020	95.92%
Public Utility Personal	2,560,610	3.26	2,673,500	4.08
Total	\$78,663,290	100.00%	\$65,542,520	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$39.45		\$40.70	

Note 9 - Receivables

Receivables at June 30, 2012, consisted of accounts, taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title I Grants	\$272,403
Title VI-B Grants	93,363
Reducing Class Size Grants	26,811
Public Preschool Grants	21,553
Education Jobs Grants	20,313
Ohio Medicaid Reimbursement	12,795
Food Service Subsidies	1,086
Entry Year Program Grants	700
Total	\$449,024

Campbell City School District
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Note 10 - Contingencies

Grants

The Auditor of State (AOS) issued its Statewide Audit of Student Attendance Data and Accountability System on February 11, 2013, a statewide assessment of school year 2010-11 student attendance and enrollment practices for select Ohio schools. AOS has referred the Campbell City School District as a district with evidence of scrubbing to the Ohio Department of Education (ODE) and U.S. Department of Education Office of the Inspector General (IG) for further investigation and recalculation of the school report cards. The ODE and IG have not yet determined the impact of these results.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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.

Litigation

The School District is not party to legal proceedings as of June 30, 2012.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities	Restated Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
Capital Assets not being Depreciated:				
Land	\$130,245	\$0	\$0	\$130,245
Capital Assets being Depreciated:				
Land Improvements	1,179,352	0	0	1,179,352
Buildings and Improvements	38,974,483	0	0	38,974,483
Furniture, Fixtures and Equipment	4,576,835	0	0	4,576,835
Vehicles	751,296	69,975	(42,573)	778,698
<i>Total Capital Assets being Depreciated</i>	<u>45,481,966</u>	<u>69,975</u>	<u>(42,573)</u>	<u>45,509,368</u>
Less Accumulated Depreciation:				
Land Improvements	(651,019)	(61,970)	0	(712,989)
Buildings and Improvements	(7,138,742)	(782,334)	0	(7,921,076)
Furniture, Fixtures and Equipment	(3,659,928)	(154,613)	0	(3,814,541)
Vehicles	(570,401)	(49,234)	42,573	(577,062)
<i>Total Accumulated Depreciation</i>	<u>(12,020,090)</u>	<u>(1,048,151) *</u>	<u>42,573</u>	<u>(13,025,668)</u>
<i>Total Assets being Depreciated, Net</i>	<u>33,461,876</u>	<u>(978,176)</u>	<u>0</u>	<u>32,483,700</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$33,592,121</u>	<u>(\$978,176)</u>	<u>\$0</u>	<u>\$32,613,945</u>

Campbell City School District
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*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$440,083
Special	84,430
Support Services:	
Instructional Staff	39,429
Board of Education	4,812
Administration	38,805
Fiscal	7,261
Operation and Maintenance of Plant	105,260
Pupil Transportation	45,990
Food Service Operation	112,163
Extracurricular Activities	169,918
Total Depreciation Expense	<u>\$1,048,151</u>

Note 12 - Risk Management

Property and Liability

The School 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. During fiscal year 2012, the School District contracted with Netherlands Insurance Company for property and liability insurance. The comprehensive commercial insurance coverage limits are \$54,138,247 with a \$1,000 deductible. The business auto coverage limits are \$1,000,000 for liability and \$1,000,000 for uninsured motorists. The School District has liability insurance coverage limits of \$1,000,000 per claim and \$2,000,000 general aggregate.

Employee Health Benefits

For fiscal 2012, the School District was a participant in the Mahoning County School Employees Insurance Consortium (the "Consortium") to provide employee health, dental, vision and prescription drug benefits. The Consortium is administered by Medical Mutual.

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

The School District offers employees a choice of two health plans: Core Plan and Low Deductible Plan. Effective January 1, 2012, the School District provides full-time employees with 94 percent Board paid hospitalization and prescription drugs under the Core Plan. Full-time employees opting for the Low Deductible Plan will receive 90 percent Board paid hospitalization and prescription drugs. Full-time employees receive 93 percent Board paid dental and vision.

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Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the School District.

Worker's Compensation

The School District pays the Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 13 - Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$281,212, \$248,214 and \$261,454, respectively. For fiscal year 2012, 90.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum

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withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$805,121 and \$7,422 for the fiscal year ended June 30, 2012, \$854,375 and \$12,418 for the fiscal year ended June 30, 2011, and \$848,692 and \$16,491 for the fiscal year ended June 30, 2010. For fiscal year 2012, 85.71 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$5,577 made by the School District and \$3,984 made by the plan members. In addition, member contributions of \$5,301 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

Note 14 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on

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authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$32,240 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$12,178, \$30,055 and \$26,537, respectively. For fiscal year 2012, 90.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010, were \$16,607, \$15,973 and \$16,531, respectively. For fiscal year 2012, 90.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$61,932, \$65,721 and \$65,284, respectively. For fiscal year 2012, 85.71 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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Note 15 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. The Superintendent and the Treasurer earn 20 days of vacation annually. Accumulated, unused vacation is not paid out to employees upon termination of employment. Teachers do not earn vacation.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated and classified employees with ten to fifteen years of service receive payment for fifteen percent of the total sick leave accumulation up to a maximum of thirty-two days. Certificated employees with sixteen years or more of service upon retirement receive payment for twenty-five percent of the total sick leave accumulation, up to a maximum of sixty-two days. Classified employees with sixteen years or more of service upon retirement receive payment for twenty-five percent of the total sick leave accumulation, up to a maximum of sixty days.

Life Insurance Benefits

The School District provides life insurance to all employees through Educational Employees Life Insurance Trust in the amount of \$50,000 for employees who work 2,080 hours or more per year and \$27,000 for employees who work less than 2,080 hours per year. Premiums are paid by the School District.

Note 16 - Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2000 OSFC Various Improvement Bonds:			
Capital Appreciation Bonds	10.76%	\$114,000	2013 to 2015
2010 Various Purpose Refunding Bonds:			
Current Interest Serial Bonds	2.90% to 3.70%	1,185,000	2018 to 2023
Capital Appreciation Bonds	18.16%	125,000	2016 to 2017
Current Issue Term Bonds	1.00 % to 1.70%	325,000	2012 to 2015

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Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due in One Year
General Obligation Bonds					
Capital Appreciation Bonds	\$114,000	\$0	\$0	\$114,000	\$42,036
Accretion on Capital Appreciation Bonds	248,434	40,057	0	288,491	112,964
Total 2000 Various Purpose Imp Bonds	<u>362,434</u>	<u>40,057</u>	<u>0</u>	<u>402,491</u>	<u>155,000</u>
2010 Various Purpose Refunding Bonds					
Current Interest Serial Bonds	1,185,000	0	0	1,185,000	0
Capital Appreciation Bonds	125,000	0	0	125,000	0
Accretion on Capital Appreciation Bonds	31,215	29,722	0	60,937	0
Current Interest Term Bonds	280,000	0	(180,000)	100,000	35,000
Premium	158,284	0	(13,865)	144,419	0
Accounting Loss	(114,188)	0	10,002	(104,186)	0
Total 2010 Various Purpose Refunding Bonds	<u>1,665,311</u>	<u>29,722</u>	<u>(183,863)</u>	<u>1,511,170</u>	<u>35,000</u>
<i>Total General Obligation Bonds</i>	<u>2,027,745</u>	<u>69,779</u>	<u>(183,863)</u>	<u>1,913,661</u>	<u>190,000</u>
Other Long-Term Obligations					
Capital Lease Payable	2,078,000	0	(131,000)	1,947,000	137,000
Compensated Absences	677,820	186,801	(203,346)	661,275	22,413
<i>Total Other Long-Term Obligations</i>	<u>2,755,820</u>	<u>186,801</u>	<u>(334,346)</u>	<u>2,608,275</u>	<u>159,413</u>
Total Governmental Activities					
<i>Long-Term Liabilities</i>	<u>\$4,783,565</u>	<u>\$256,580</u>	<u>(\$518,209)</u>	<u>\$4,521,936</u>	<u>\$349,413</u>

Compensated absences will be paid from the general fund and the food service, public preschool, title VI-B, title I and reducing class size special revenue funds. Capital leases will be paid from the general fund.

On June 15, 2000, the School District issued \$3,019,000 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,415,000, \$1,490,000 and \$114,000, respectively. The general obligation bonds were issued for the purpose of providing funding for the construction of a new K-8 elementary and middle school building and renovations and additions to the high school. On March 23, 2010, the full amount of the term bonds and a portion of the serial bonds were retired by the School District through an advance refunding. The serial bonds were fully retired at June 30, 2011. The final maturity amount of outstanding capital appreciation bonds at June 30, 2012, is \$465,000. The accretion recorded for the capital appreciation bonds for 2012 was \$40,057, for a total outstanding bond liability of \$402,491 at June 30, 2012.

On March 23, 2010, the School District issued \$1,635,000 in general obligation bonds to refund a portion of the 2000 various purpose improvement bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,185,000, \$325,000 and \$125,000, respectively. The bonds were issued for a twelve year period with a final maturity at December 1, 2022. The bonds will be retired from the debt service fund.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The serial and capital appreciation bonds remained outstanding at June 30, 2012. The capital appreciation bonds were originally sold at a discount of \$240,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2017.

The maturity amount of outstanding capital appreciation bonds at June 30, 2012 is \$365,000. The accretion recorded for 2012 was \$29,722, for a total outstanding bond liability of \$185,937 at June 30, 2012.

The term bonds maturing on December 1, 2014 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue \$100,000
2012	\$35,000
2013	30,000
Total	\$65,000
<i>Stated Maturity</i>	<i>12/1/2014</i>

The remaining principal amount of the term bonds (\$35,000) will mature at the stated maturity.

The School District's overall debt margin was \$4,728,234 with an unvoted debt margin of \$65,543 at June 30, 2012. Principal and interest requirements to retire general obligation bonds are as follows:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$35,000	\$1,403	\$0	\$39,875	\$42,036	\$112,964
2014	30,000	850	0	39,875	37,861	117,139
2015	35,000	298	0	39,875	34,103	120,897
2016	0	0	0	39,875	68,771	116,229
2017	0	0	0	39,875	56,229	123,771
2018-2022	0	0	970,000	124,805	0	0
2023	0	0	215,000	3,977	0	0
Total	\$100,000	\$2,551	\$1,185,000	\$328,157	\$239,000	\$591,000

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 17 – Capital Leases

In prior years, the School District entered into a capital lease for the construction of a stadium facility. The lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2012 follows:

	Amounts
Asset:	
Land Improvements	\$145,171
Buildings and Improvements	2,689,829
Less: Accumulated Depreciation	(488,441)
Current Book Value	\$2,346,559

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

Year ending June 30,	Capital Lease
2013	\$233,443
2014	233,235
2015	232,664
2016	232,732
2017	232,412
2018-2022	1,152,877
2023	228,740
Total Minimum Lease Payments	2,546,103
Less: Amount Representing Interest	(599,103)
Present Value of Minimum Lease Payments	\$1,947,000

Note 18 - Interfund Balances

	Interfund Receivable
Interfund Payable	General
<i>Other Governmental Funds:</i>	
Title VI-B	\$2,912
Title I	31,252
Total	\$34,164

The general fund reported an interfund receivable at June 30, 2012 of \$34,164. The other governmental funds had an interfund payable of \$34,164 due to the timing of grant receipts.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 19 - Jointly Governed Organizations

Access Council of Governments

The Access Council of Governments (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 administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge before any e-rate credits, which was \$40.25 for fiscal year 2012. The School District paid \$14,708 to COG during fiscal year 2012. COG is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio 44512.

Mahoning County Career and Technical Center

The Mahoning County Career and 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 and Technical Center at 7300 North Palmyra Road, Canfield, Ohio 44406.

Note 20 – Shared Risk Pool

Mahoning County School Employees Insurance Consortium The School District participates in the Mahoning County Schools Employee Insurance Consortium. This is a shared risk pool comprised of twelve Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Note 21 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2012, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the change in the fiscal year end set aside amounts for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

Campbell City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

	Capital Improvements	Budget Stabilization
Set-Aside Balance as of June 30, 2011	(\$1,983,649)	\$80,192
Current Year Set-aside Requirement	220,781	0
Qualifying Disbursements	(90,995)	0
Total	(\$1,853,863)	\$80,192
Set-aside Balance Carried Forward to Future Fiscal Years	(\$1,524,000)	\$80,192
Set-Aside Balance as of June 30, 2012	\$0	\$80,192

The total restricted for set-asides at the end of the fiscal year was \$80,192.

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-asides below zero. The negative balance being carried forward in the capital acquisition set-aside represents the still outstanding balance on the School District's Ohio Schools Facilities Commission bonds.

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**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program		10.553	\$99,224	\$99,224
National School Lunch Program		10.555	389,899	369,899
Sub-Total U.S. Department of Agriculture - Nutrition Cluster			489,123	469,123
Fruit and Vegetable		10.582	40,865	41,951
Total U.S. Department of Agriculture			529,988	511,074
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Part A Cluster				
Title I Grants to Local Educational Agencies				
	C1-S1-9810	84.010	10,367	10,367
	C1-S1-9811	84.010	131,987	143,785
	C1-S1-9812	84.010	473,205	467,413
	C1-S1-9912	84.010	27,989	33,521
			643,548	655,086
ARRA Title I Grants to Local Educational Agencies	C1-S1-9320	84.389	66,174	125,120
Total Title I Part A Grants to Local Educational Agencies Cluster			709,722	780,206
Special Education Cluster:				
Special Education Grants to States				
	6B-SF-11	84.027	43,042	44,926
	6B-SF-12	84.027	230,097	231,348
			273,139	276,274
ARRA Special Education Grants to State	6B-SF-9320	84.391	40,174	76,695
Total Special Education Grants to States - Special Education Cluster			313,313	352,969
Safe and Drug-Free Schools and Communities	DR-S1-11	84.186	3,178	3,978
Education Technology State Grants				
	TJ-S1-9911	84.318	1,345	4,054
	TJ-S1-9912	84.318	5,531	5,531
Total Education Technology State Grants			6,876	9,585
Improving Teacher Quality State Grants				
	TR-S1-9911	84.367	11,821	11,821
	TR-S1-9912	84.367	74,310	74,310
Total Improving Teacher Quality State Grants			86,131	86,131
Education Jobs				
	9011	84.410	38,562	38,791
	9012	84.410	350,003	349,428
			388,565	388,219
Total U.S. Department of Education			1,507,785	1,621,088
Totals			\$2,037,773	\$2,132,162

The accompanying notes are an integral part of this schedule.

**CAMPBELL LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Campbell City School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell City School District, Mahoning County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted a matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 26, 2013.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

March 26, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Campbell City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2012-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Matching, Level of Effort, Earmarking (Maintenance of Effort) and Special Tests and Provisions (Identifying Schools and LEAs Needing Improvement) applicable to its Title I Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Campbell City School District, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect the major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-002 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 26, 2012.

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



Dave Yost
Auditor of State

March 26, 2013

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster (84.010 and 84.389) Special Education Cluster (84.027 and 84.391)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

1. Students Being Excluded From The District's Annual Report Card

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

See (federal) finding # 2012-002 below; GAGAS also requires us to report this finding.

3. FINDINGS FOR FEDERAL AWARDS

1. Students Being Excluded From The District’s Annual Report Card

Finding Number	2012-002
CFDA Title and Number	Title I Cluster - 84.010 and 84.389
Federal Award Number / Year	FY2011 and FY2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE and MATERIAL WEAKNESS

Title I, Sections 1116(a) and (b)(1), (7), and (8) of the Elementary and Secondary Education Act (ESEA) (20 USC 6316(a) and (b)(1), (7), and (8)) and 34 CFR sections 200.30 through 200.34 require school districts annually review the progress of each school served under Title I, Part A to determine whether the school has made Annual Yearly Progress (AYP). Every school and district must meet AYP goals that the ODE Accountability Model (approved by USDOE) has established for reading and mathematics proficiency and test participation, attendance rate and graduation rate. AYP determinations for districts and schools are based on test participation and proficiency rate goals. These goals are evaluated for the student groups when the minimum subgroup size has been met. AYP graduation and attendance goals are evaluated for the “All Students” group only. Failure to meet any of the proficiency or participation goals, attendance levels or graduation targets results in the district or school not meeting AYP. This is commonly referred to as a maintenance of effort requirement.

Title I, Sections 1111(h)(2) and 1116(a)(1)(C) of ESEA (20 USC 6311(h)(2) and 6316(a)(1)(C)) and 34 CFR sections 200.36 through 200.38 also require each school district that receives Title I, Part A funds prepare and disseminate to all schools in the district—and to all parents of students attending those schools—an annual district-wide report card that, among other things, includes the number, names, and percentage of schools identified for school improvement and how long the schools have been so identified.

Under the No Child Left Behind (NCLB) model, a school’s report card specifies its performance as compared to other schools in Ohio. Specifically, the NCLB school report card displays student achievement data in reading, mathematics, science and other core subjects required by the state so that parents and the public can see how their schools are progressing over time. In addition, the report card includes information on student attendance rates and graduation rates.

A school’s performance on the report card can be affected by the students counted in the scoring. If the scores of low-performing students can be excluded from a particular school’s report card, the overall performance of that school shows a corresponding improvement.

Under NCLB, there are several allowable ways student test scores can be excluded from an individual school’s report card and pushed to the school district wide or state report card as described in ODE’s “Where Kids Count” (WKC) Methodology. Breaks in enrollment result in student test scores being pushed to the statewide composite report card. In this scenario, the local report card includes only students enrolled for the fiscal annual year (FAY). A student must be enrolled continuously at a single school from the end of October count week to May 10th for grades 3-8 or March 19th for all other grades to qualify for the full academic year of attendance.

**Finding Number 2012-002
(Continued)**

When a lawful break in enrollment occurs, school districts push the student's test scores to the State's report card. Schools break enrollment by withdrawing or enrolling students between October count week and the end of the academic school year.

The concept of due process prior to withdrawal of truant students is further emphasized by the NCLB Act and IDEA. The NCLB Act requires every Title I eligible child be served under the program. Withdrawing students prior to receiving due process inaccurately inflates the school's AYP report card rating, which results in an understatement of Title I allocations to the eligible buildings within a school district.

The process of creating breaks in enrollment entails admitting or withdrawing students after the official October Average Daily Membership (ADM) count week. Valid reasons to create a "break" in enrollment are established pursuant to Chapter 2 of the 2011 ODE Education Management Information System (EMIS) Manual. One of the more common reasons is the student withdrew due to truancy/nonattendance.

Ohio Rev. Code § 3321.19 defines truancy and empowers Ohio school governing boards to adopt their own policies for intervention and withdrawal of students. If a parent, guardian, or other custodian of a habitual truant fails to cause the child's attendance at school, the board of education may proceed with an intervention strategy in accordance with its adopted policy, may initiate delinquency proceedings, or both. Each board is required under Ohio Rev. Code §3321.191 to adopt a policy to guide employees in addressing and ameliorating the habitual truancy of students.

With regard to truancy, schools are permitted to withdraw students only after appropriate due process. The statutes provide several procedural steps which schools must follow in dealing with violations of the compulsory attendance laws.

We obtained the ODE EMIS information on student attendance and reviewed breaks in enrollment during fiscal year 2011 which cause student test scores to be pushed to the statewide composite report card.

We selected a sample of students rolled up to the State report card for the 2011 fiscal year and the results are as follows:

- 28 out of 29 student files reviewed at Campbell Middle School had insufficient documentation supporting the student being excluded from the local report card and rolled up to the State. The withdrawal reasons given included Homeschool, Expulsion, Truancy, and Verified Medical.
- All 11 student files reviewed at Campbell Memorial High School had insufficient documentation supporting the student being excluded from the local report card and rolled up to the State. The withdrawal reasons given included Homeschool, Expulsion, Truancy, and Verified Medical.

AOS obtained permission from the Superintendent to obtain student data from the District's Information Technology Center (ITC) to further investigate the nature and timing of these exceptions. Upon receiving the ITC report, AOS found that student withdrawals were made retroactively, during the months of May and June 2011.

**Finding Number 2012-002
(Continued)**

AOS continued the review of these retroactive withdrawals and exceptions, including a meeting with District officials on October 23, 2012 and November 1, 2012. As part of meeting with the District, the EMIS Coordinator provided additional documentation in an attempt to support the causes for student withdrawals causing student results to be pushed to the State. AOS reviewed this additional information and identified 11 (High School) and 28 (Middle School) students, respectively, that did not have sufficient supporting documentation to support the noted withdrawal reasons. Additionally, each of these 39 student withdrawals were noted to have retroactive modification dates made during the months of May and June 2011.

In the cases of students withdrawn under code 43 for homeschooling, the District maintains a separate folder with documentation on students being homeschooled and Superintendent approval. However, for the students noted as exceptions, no such documentation was available from the District supporting the fact that these students were homeschooled.

In the cases of students withdrawn under code 48 for expulsion, the Superintendent maintains a list and expulsion information for all expelled students. However, for the students noted as exceptions, there was no such information available for these students supporting the fact that an actual expulsion had occurred.

In the cases of students withdrawn under code 71 for truancy/non-attendance, no documentation was provided by the EMIS Coordinator or other District officials to support the fact that the students received proper due process or court adjudication for the code 71 withdrawal.

In the cases of students withdrawn under code 51 for verified medical reasons, the EMIS Coordinator or other District officials could not provide sufficient information to support verification of a code 51 withdrawal for medical. In many of these instances, the EMIS Coordinator provided e-mails indicating student illnesses including asthma, recurring coughs, etc. However, no further information was provided supporting withdrawal of the student for medical reasons. Additionally, through inquiry with District officials, AOS noted other students with medical issues causing inability of physical attendance at school receive home instruction from the District. There was no explanation provided as to why these students noted as exceptions would have been handled differently by the District, including withdrawal and re-enrollment.

We recommend the District establish formal procedures requiring completion and maintenance of enrollment forms, withdrawal forms, and appropriate documentation supporting attendance events. The procedures should include training of its administrators on the procedures to be performed as well as follow up reviews by the District's Internal Audit Department to ensure the procedures are being followed. The District should also file a complaint in juvenile court if the child is an unruly child for being an habitual truant or is a delinquent child for being an habitual truant who previously has been adjudicated an unruly child for being an habitual truant and that the parent, guardian, or other person having care of the child has violated section 3321.38 of the Revised Code.

Official's Response: Please read to the Corrective Action Plan.

**CAMPBELL CITY SCHOOL DISTRICT
MAHONING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
June 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	See Attached.	6/30/13	Nora Montanez

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Campbell City Schools

280 Sixth Street, Campbell, OH 44405
PH: 330-799-8777 - FX: 330-799-0875

Thomas D. Robey, Superintendent
330-799-6720

Nora J. Montanez, Treasurer
330-799-6726

To: Dave Yost – Auditor State of Ohio
From: Nora Montanez, Treasurer on behalf of Internal Audit Committee
Internal Audit Committee – Tom Robey, Superintendent; Nora Montanez, Treasurer; Ken Ekis, Director of Special Services
RE: Internal Audit Committee (IAC) **Preliminary Corrective Action Plan**
Date: March 26, 2013

The Superintendent of the Campbell City School District put together an Internal Audit Committee to investigate the matters identified in the letter dated October 4, 2012 regarding “scrubbing” of the data. The purpose of this committee is to gather data and information regarding the allegations; to meet with various personnel with responsibilities related to the data; and to put together a Corrective Action Plan to address issues regarding this matter.

The following action steps have been taken thus far:

1. An internal audit committee has been established by the Superintendent; this committee has met numerous times regarding this matter discussing and reviewing a wide range of topics including policies, procedures, personnel, EMIS manuals, and other pertinent information regarding this investigation;
2. The Board of Education has been updated and continues to be apprised of this matter by the Superintendent and Treasurer;
3. The Superintendent and Treasurer consulted with legal counsel regarding this matter;
4. Several meetings have been held with building principals and other administrators to share and gather information from said personnel;
5. Several meetings have been held with building and district secretaries which included the interim EMIS Coordinator and the EMIS Coordinator, to share and gather information from said personnel;
6. Several meetings have been held with resource officers to review expectations with them regarding documentation and follow up in regards to procedures concerning student withdrawals and truancy;
7. An internal audit of the specific students identified by the Auditor’s Office report has been completed by the internal audit committee with the assistance of other personnel;
8. The Superintendent met with Auditor’s Office personnel regarding the ongoing investigation with an additional meeting scheduled on January 29, 2013;
9. The Superintendent and Treasurer have been in communication with Auditor’s Office personnel on a periodic basis via phone or email;

10. A meeting was held on November 1, 2012 @ 9:00 AM to review and share with the Auditor's Office information gathered by the internal audit committee. At this meeting all information and data gathered at this point in time was turned over to the Auditor's Office; this includes any requested information by the Auditor's Office.
11. As additional information or other data is gathered, updates will be made available to the Auditor's Office in a timely manner; and
12. A response to the auditor's report was submitted on January 28, 2013 by the Districts' internal audit committee and was the basis for the development of the Districts' Corrective Action Plan upon the Auditor's office completion of the investigation of this matter.
13. A letter was received from ODE on February 22, 2013 indicating the District is now under investigation by ODE as a district "with evidence of scrubbing". As a result of this letter the District Internal Audit Committee has taken additional steps towards a Corrective Action Plan.
14. The District has met with legal counsel and the Board of Education to share with them the letter received from ODE and to update them on the status of this ongoing investigation by the Internal Audit Committee.
15. A meeting was held on March 8, 2013 by the superintendent with district policy consultant to begin the process of reviewing policy / administrative guidelines, updating policies / administrative guidelines, and adopted new or revised policies / administrative guidelines to ensure accountability. Recommendations will be made to the Board of Education regarding these revised or new policies / administrative guidelines when finalized.
16. The Internal Audit Committee has begun an investigation into personnel and established meeting dates with those employees who may have culpability related to the charges by ODE and who may have violated local policies / guidelines, ODE regulations, or the Ohio Revised Code. As this investigation into personnel moves forward the Internal Audit Committee will advise the Board of Education and ODE of any discipline at the local level regarding said employees being investigated.

The Internal Audit Committee wishes to continue to work and cooperate with the Auditor's Office to resolve all and any matters related to the finding #2012-002 as delineated in the Single Audit for the year ended June 30, 2012. As Treasurer of the Campbell City School District and a member of the Internal Audit Committee, it is my goal to submit a Final Corrective Action Plan as approved by the Campbell Board of Education no later than June 30, 2013.

CC: Tom Robey, Superintendent
Nora Montanez, Treasurer
Ken Ekis, Director of Special Services
Board of Education Members



Dave Yost • Auditor of State

CAMPBELL CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 9, 2013