

CHAMPION LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Fiscal Year Ended June 30, 2016





Dave Yost • Auditor of State

Board of Education
Champion Local School District
5759 Mahoning Ave, NW
Warren, Ohio 44483

We have reviewed the *Independent Auditor's Report* of the Champion Local School District, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Champion Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 16, 2017

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TRUMBULL COUNTY
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INDEPENDENT AUDITOR'S REPORT

Champion Local School District
Trumbull County
5976 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Champion Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement whether due to fraud or error.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

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 the Champion Local School District, Trumbull County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

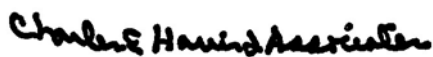
Supplementary Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

December 27, 2016

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of Champion Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$18,787,587, which represents a 114.12% increase from fiscal year 2015.
- General revenues accounted for \$31,446,130 in revenue or 92.63% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,501,733 in revenue or 7.37% of total revenues of \$33,947,863.
- The District had \$15,160,276 in expenses related to governmental activities; only \$2,501,733 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$31,446,130 were adequate to provide for these programs.
- The District's three major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$14,689,944 in revenues and \$13,330,875 in expenditures and other financing uses. The general fund also reported a decrease in nonspendable inventory in the amount of \$3,704. During fiscal year 2016, the general fund's fund balance increased \$1,355,365 from a fund balance of \$1,199,349 to a fund balance of 2,554,714.
- The bond retirement fund had \$5,741,370 in revenues and other financing sources and \$5,329,300 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$412,070 from a fund balance of \$0 to a fund balance of \$412,070.
- The classroom facilities fund had \$15,013,932 in revenues and other financing sources and \$230,680 in expenditures. The classroom facilities fund was established in fiscal year 2016, the fund's balance increased \$14,783,252 from a \$0 fund balance to a fund balance of \$14,783,252.

Using the Basic Financial Statements (BFS)

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

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

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-60 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 61-67 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

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**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net Position

| | Governmental Activities <u>2016</u> | Governmental Activities <u>2015</u> |
|--|---|---|
| <u>Assets</u> | | |
| Current and other assets | \$ 43,626,185 | \$ 9,629,883 |
| Capital assets, net | <u>1,468,875</u> | <u>1,490,574</u> |
| Total assets | <u>45,095,060</u> | <u>11,120,457</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Pension | <u>2,152,633</u> | <u>1,202,021</u> |
| Total deferred outflows of resources | <u>2,152,633</u> | <u>1,202,021</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 1,694,367 | 1,613,107 |
| Long-term liabilities: | | |
| Due within one year | 618,336 | 349,218 |
| Due in more than one year: | | |
| Net pension liability | 18,544,717 | 16,164,341 |
| Other amounts | <u>16,326,185</u> | <u>2,134,183</u> |
| Total liabilities | <u>37,183,605</u> | <u>20,260,849</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Property taxes levied for next year | 6,428,264 | 5,596,692 |
| Pensions | <u>1,311,136</u> | <u>2,927,836</u> |
| Total deferred inflows of resources | <u>7,739,400</u> | <u>8,524,528</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 784,339 | 956,957 |
| Restricted | 18,041,169 | 89,220 |
| Unrestricted (deficit) | <u>(16,500,820)</u> | <u>(17,509,076)</u> |
| Total net position (deficit) | <u>\$ 2,324,688</u> | <u>\$ (16,462,899)</u> |

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,324,688.

At year end, capital assets represented 3.26% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2016 was \$784,339. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

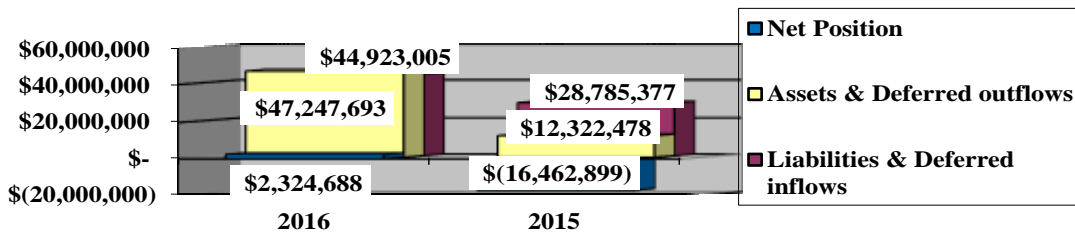
A portion of the District's net position, \$18,041,169, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$16,500,820.

The graph below illustrates the District's assets, liabilities, deferred inflows of resources, and net position at June 30, 2016 and June 30, 2015.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Governmental Activities



The table below shows the changes in net position for governmental activities for fiscal years 2016 and 2015.

Change in Net Position

| | Governmental Activities <u>2016</u> | Governmental Activities <u>2015</u> |
|------------------------------------|---|---|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 988,825 | \$ 856,330 |
| Operating grants and contributions | 1,499,328 | 1,526,202 |
| Capital grants and contributions | 13,580 | - |
| General revenues: | | |
| Property taxes | 6,057,574 | 4,872,207 |
| Grants and entitlements | 25,316,460 | 7,751,731 |
| Investment earnings | 8,437 | 4,621 |
| Miscellaneous | <u>63,659</u> | <u>60,956</u> |
| Total revenues | <u>33,947,863</u> | <u>15,072,047</u> |

-continued

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Change in Net Position (Continued)

| | <u>Governmental Activities 2016</u> | <u>Governmental Activities 2015</u> |
|---|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 5,994,521 | \$ 5,399,000 |
| Special | 1,516,105 | 1,509,010 |
| Vocational | 3,480 | 4,343 |
| Other | 600,448 | 603,779 |
| Support services: | | |
| Pupil | 639,635 | 660,076 |
| Instructional staff | 1,259,252 | 1,416,807 |
| Board of education | 42,221 | 59,669 |
| Administration | 1,105,723 | 1,030,496 |
| Fiscal | 350,991 | 387,428 |
| Operations and maintenance | 1,442,795 | 1,454,155 |
| Pupil transportation | 835,345 | 869,580 |
| Central | 42,898 | 37,074 |
| Operation of non-instructional services: | | |
| Food service operations | 383,657 | 405,067 |
| Extracurricular activities | 511,196 | 497,153 |
| Interest and fiscal charges | 432,009 | 82,066 |
| Total expenses | <u>15,160,276</u> | <u>14,415,703</u> |
| Change in net position | 18,787,587 | 656,344 |
| Net position (deficit) at beginning of year | <u>(16,462,899)</u> | <u>(17,119,243)</u> |
| Net position (deficit) at end of year | <u>\$ 2,324,688</u> | <u>\$ (16,462,899)</u> |

Governmental Activities

Net position of the District's governmental activities increased \$18,787,587. Total governmental expenses of \$15,160,276 were offset by program revenues of \$2,501,733 and general revenues of \$31,446,130. Program revenues supported 16.50% of the total governmental expenses. The large increase in net position was due to the District entering into an Ohio School Facilities Commission (OSFC) project agreement for a new Pre K-8 building. The District began receiving State funding for the Project which increased equity in pooled cash and cash equivalents and recorded an intergovernmental receivable for the remainder of the State share.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 40.71% of total governmental revenues. The \$17,552,720 in restricted grants and entitlements is the State share of the District's OSFC project.

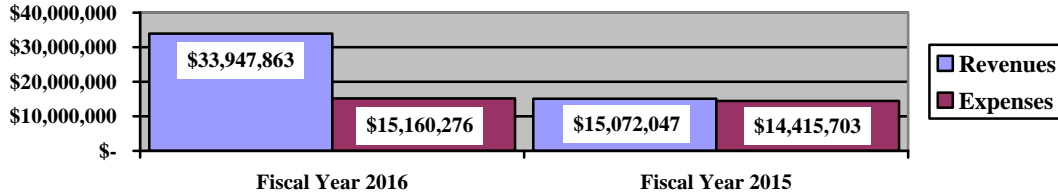
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,114,554 or 53.53% of total governmental expenses for fiscal year 2016.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

Governmental Activities

| | Total Cost of Services <u>2016</u> | Net Cost of Services <u>2016</u> | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> |
|--|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 5,994,521 | \$ 5,445,643 | \$ 5,399,000 | \$ 4,971,147 |
| Special | 1,516,105 | 179,020 | 1,509,010 | 187,936 |
| Vocational | 3,480 | 2,568 | 4,343 | 3,616 |
| Other | 600,448 | 600,448 | 603,779 | 603,779 |
| Support services: | | | | |
| Pupil | 639,635 | 639,635 | 660,076 | 660,076 |
| Instructional staff | 1,259,252 | 1,259,252 | 1,416,807 | 1,416,807 |
| Board of education | 42,221 | 42,221 | 59,669 | 59,669 |
| Administration | 1,105,723 | 1,105,723 | 1,030,496 | 1,030,496 |
| Fiscal | 350,991 | 350,991 | 387,428 | 387,428 |
| Operations and maintenance | 1,442,795 | 1,373,613 | 1,454,155 | 1,393,515 |
| Pupil transportation | 835,345 | 835,345 | 869,580 | 869,580 |
| Central | 42,898 | 42,898 | 37,074 | 37,074 |
| Operation of non-instructional services: | | | | |
| Food service operations | 383,657 | (70,677) | 405,067 | (44,537) |
| Extracurricular activities | 511,196 | 419,854 | 497,153 | 416,823 |
| Interest and fiscal charges | <u>432,009</u> | <u>432,009</u> | <u>82,066</u> | <u>39,762</u> |
| Total expenses | <u>\$ 15,160,276</u> | <u>\$ 12,658,543</u> | <u>\$ 14,415,703</u> | <u>\$ 12,033,171</u> |

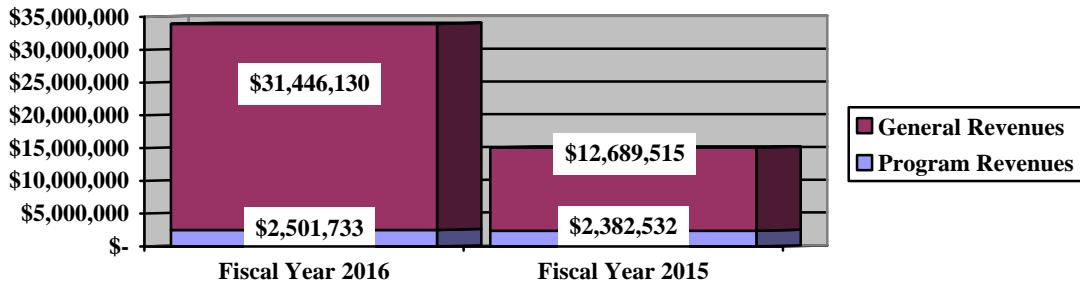
The dependence upon taxes and other general revenues for governmental activities is apparent, as 76.75% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.50%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The graph below presents the District's governmental activities revenues for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$18,294,561, which is more than last year's total fund balance of \$1,458,116. The large increase is due to the District entering into a Ohio School Facilities Construction project and issuing \$14,190,000 in school improvement bonds to fund the construction in the current fiscal year. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

| | Fund Balance <u>June 30, 2016</u> | Fund Balance <u>June 30, 2015</u> | <u>Increase</u> |
|-----------------------------|--------------------------------------|--------------------------------------|----------------------|
| General fund | \$ 2,554,714 | \$ 1,199,349 | \$ 1,355,365 |
| Bond retirement | 412,070 | - | 412,070 |
| Classroom facilities | 14,783,252 | - | 14,783,252 |
| Nonmajor governmental funds | <u>544,525</u> | <u>258,767</u> | <u>285,758</u> |
| Total | <u>\$ 18,294,561</u> | <u>\$ 1,458,116</u> | <u>\$ 16,836,445</u> |

General Fund

The District's general fund balance increased \$1,355,365.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The table that follows assists in illustrating the financial activities of the general fund during fiscal years 2016 and 2015.

| | <u>2016</u> <u>Amount</u> | <u>2015</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Taxes | \$ 5,370,753 | \$ 5,425,983 | (1.02) % |
| Tuition | 580,772 | 442,776 | 31.17 % |
| Earnings on investments | 8,216 | 4,450 | 84.63 % |
| Intergovernmental | 8,569,417 | 8,309,013 | 3.13 % |
| Other revenues | <u>160,786</u> | <u>166,805</u> | <u>(3.61) %</u> |
| Total | <u>\$ 14,689,944</u> | <u>\$ 14,349,027</u> | <u>2.38 %</u> |
| <u>Expenditures</u> | | | |
| Instruction | \$ 7,315,919 | \$ 7,062,167 | 3.59 % |
| Support services | 5,541,878 | 5,848,358 | (5.24) % |
| Extracurricular activities | 305,224 | 291,357 | 4.76 % |
| Debt service | <u>105,513</u> | <u>104,247</u> | <u>1.21 %</u> |
| Total | <u>\$ 13,268,534</u> | <u>\$ 13,306,129</u> | <u>(0.28) %</u> |

Overall revenues of the general fund increased \$340,917 or 2.38%. Tuition increased \$137,996 or 31.17% primarily due to an increase in tuition for regular and special education. Earnings on investments increased \$3,766 or 84.63% due to the District opening a new money market account for the new construction project started in the current fiscal year. Overall expenditures of the general fund decreased \$37,595 or 0.28%. All other revenues and expenditures remained comparable to prior fiscal year.

Bond Retirement Fund

The bond retirement fund had \$5,741,370 in revenues and other financing sources and \$5,329,300 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$412,070 from \$0 to \$412,070. This increase was due to the District issuing school improvement notes series 2015 in the current fiscal year.

Classroom Facilities Fund

The classroom facilities fund had \$15,013,932 in revenues and other financing sources and \$230,680 in expenditures. During fiscal year 2016, the classroom facilities fund's fund balance increased \$14,783,252 from \$0 to \$14,783,252. This increase was due to the District issuing school improvement bonds series 2016-1 and series 2016-2 in the current fiscal year.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$11,268,071, which was \$70,612 less than original budgeted revenues and other financing sources of \$11,338,683. Actual revenues and other financing sources of \$11,666,300 were 398,229 more than the final budgeted amounts.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General fund original appropriations (appropriated expenditures and other financing uses) of \$10,258,961 were increased to \$10,666,737 in the final budget. The actual budget basis expenditures and other financing uses of \$10,518,553 were \$148,184 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$1,468,875 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2016 capital asset balances compared to June 30, 2015.

| | Capital Assets at June 30 | |
|----------------------------|----------------------------------|----------------------------|
| | (Net of Depreciation) | |
| | <u>Governmental Activities</u> | |
| | <u>2016</u> | <u>2015</u> |
| Land | \$ 144,950 | \$ 38,950 |
| Construction in progress | 63,350 | - |
| Land improvements | 15,321 | 20,224 |
| Buildings and improvements | 581,574 | 733,561 |
| Furniture and equipment | 319,105 | 383,588 |
| Vehicles | <u>344,575</u> | <u>314,251</u> |
| Total | <u><u>\$ 1,468,875</u></u> | <u><u>\$ 1,490,574</u></u> |

The overall decrease in capital assets of \$21,699 is due to depreciation expense of \$291,810 and total disposals of capital assets of \$1,558 (net of accumulated depreciation) exceeding capital outlays of \$271,669.

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

Debt Administration

At June 30, 2016, the District had \$1,105,000 in qualified school construction bonds, \$14,300,993 in school improvement bonds, \$435,048 in lease-purchase agreements, and \$33,287 in capital lease obligations. Of this total, \$586,878 is due within one year and \$15,287,450 is due in more than one year.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following table summarizes the long-term obligations outstanding at June 30, 2016 and June 30, 2015.

Outstanding Debt at June 30

| | <u>Governmental Activities 2016</u> | <u>Governmental Activities 2015</u> |
|-------------------------------------|---|---|
| Qualified school construction bonds | \$ 1,105,000 | \$ 1,205,000 |
| School improvement bonds | 14,300,993 | 165,000 |
| Lease-purchase agreements | 435,048 | 498,334 |
| Capital lease obligations | <u>33,287</u> | <u>54,179</u> |
| Total | <u>\$ 15,874,328</u> | <u>\$ 1,922,513</u> |

At June 30, 2016, the District's overall legal debt margin was \$0, with an unvoted debt margin of \$166,046.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District is often presented with challenges and opportunities. National, State and local events often affect the District and the surrounding area economically, both positively and adversely. However, the District has carefully managed its budget in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. Sound fiscal management by the Board of Education and administration has enabled the District to continue a quality, comprehensive educational program. An additional property tax levy was approved in May of 2013, being the first since the 1994 tax year for a total for nineteen years between levy approvals.

The District has committed itself to educational and financial excellence for many years. The District's most recent State Report Card shows the District achieving an excellent score. This is the thirteenth year this has been accomplished. The District has continually scored well on the State Report Card since its inception. The budgeting and internal controls utilized by the District are well regarded, as exemplified by the unqualified audit opinions that have been received. Each challenge identified by the District is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to gather adequate resources to support the educational programs. Overall, the District continues to perform at the highest level as determined by the State of Ohio, which is measured by a defined set of criteria.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The Champion community agreed to and passed on the first attempt a bond issue to proceed in collaboration efforts with Ohio Schools Facilities Commission to build a new Pre K-8 building on the grounds south of the existing high school. All construction is scheduled to begin in fiscal year 2017 with financing secured in fiscal year 2016. The new school building is scheduled to open in the Fall of 2018 – the 2018-2019 school year and immediately following the opening of the new building the current Central Elementary and Champion Middle School buildings will be demolished. The District has worked in agreement with the Champion Township for price and land purchase so upon Central Elementary being demolished this property will revert back to the Township all except for the Bus Garage which will remain District property.

Like all schools in the State of Ohio, Champion Local School District State Funding Formula has changed several times throughout the past six year, and, as of this date, the State has not yet developed a school-funding plan that has been deemed acceptable by the Court, (referencing the Ohio Supreme Court DE Rolf decision) and an ultimate resolution still seems to be some time in the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Laurena Rouan, Treasurer, Champion Local School District, 5759 Mahoning Avenue NW, Warren, Ohio, 44483-1139.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 19,697,787 |
| Receivables: | |
| Taxes | 7,150,782 |
| Accounts. | 652 |
| Accrued interest | 73 |
| Intergovernmental | 16,724,520 |
| Prepayments | 44,606 |
| Materials and supplies inventory. | 2,315 |
| Inventory held for resale. | 5,450 |
| Capital assets: | |
| Nondepreciable capital assets | 208,300 |
| Depreciable capital assets, net. | 1,260,575 |
| Capital assets, net | 1,468,875 |
| Total assets. | 45,095,060 |
| Deferred outflows of resources: | |
| Pension - STRS | 1,887,895 |
| Pension - SERS | 264,738 |
| Total deferred outflows of resources | 2,152,633 |
| Liabilities: | |
| Accounts payable. | 20,348 |
| Contracts payable. | 63,350 |
| Accrued wages and benefits payable | 1,209,934 |
| Intergovernmental payable | 98,071 |
| Pension and postemployment payable | 173,730 |
| Accrued interest payable | 128,934 |
| Long-term liabilities: | |
| Due within one year. | 618,336 |
| Due in more than one year. | |
| Net pension liability. | 18,544,717 |
| Other amounts due in more than one year | 16,326,185 |
| Total liabilities | 37,183,605 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year. | 6,428,264 |
| Pension - STRS. | 1,076,441 |
| Pension - SERS. | 234,695 |
| Total deferred inflows of resources | 7,739,400 |
| Net position: | |
| Net investment in capital assets | 784,339 |
| Restricted for: | |
| Capital projects | 17,511,056 |
| Classroom facilities maintenance | 38,518 |
| Debt service. | 369,916 |
| State funded programs. | 8 |
| Federally funded programs | 2,480 |
| Student activities | 23,620 |
| Other purposes | 95,571 |
| Unrestricted (deficit) | (16,500,820) |
| Total net position. | \$ 2,324,688 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|--------------------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 5,994,521 | \$ 456,639 | \$ 78,659 | \$ 13,580 | \$ (5,445,643) |
| Special | 1,516,105 | 152,078 | 1,185,007 | - | (179,020) |
| Vocational | 3,480 | - | 912 | - | (2,568) |
| Other | 600,448 | - | - | - | (600,448) |
| Support services: | | | | | |
| Pupil | 639,635 | - | - | - | (639,635) |
| Instructional staff | 1,259,252 | - | - | - | (1,259,252) |
| Board of education | 42,221 | - | - | - | (42,221) |
| Administration | 1,105,723 | - | - | - | (1,105,723) |
| Fiscal | 350,991 | - | - | - | (350,991) |
| Operations and maintenance | 1,442,795 | 69,182 | - | - | (1,373,613) |
| Pupil transportation | 835,345 | - | - | - | (835,345) |
| Central | 42,898 | - | - | - | (42,898) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 383,657 | 222,164 | 232,170 | - | 70,677 |
| Extracurricular activities | 511,196 | 88,762 | 2,580 | - | (419,854) |
| Interest and fiscal charges | 432,009 | - | - | - | (432,009) |
| Total governmental activities | \$ 15,160,276 | \$ 988,825 | \$ 1,499,328 | \$ 13,580 | (12,658,543) |

General revenues:

| | |
|--|---------------------|
| Property taxes levied for: | |
| General purposes | 5,299,670 |
| Debt service | 619,758 |
| Capital outlay | 101,156 |
| Classroom facilities and maintenance | 36,990 |
| Grants and entitlements not restricted to specific programs | 7,763,740 |
| Grants and entitlements restricted for Ohio School Facilities Commission | 17,552,720 |
| Investment earnings | 8,437 |
| Miscellaneous | 63,659 |
| Total general revenues | 31,446,130 |
| Change in net position | 18,787,587 |
| Net position (deficit) at beginning of year | (16,462,899) |
| Net position at end of year | \$ 2,324,688 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | <u>General</u> | <u>Bond Retirement</u> | <u>Classroom Facilities</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|----------------------------|---------------------------------|--|---|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents. | \$ 3,822,860 | \$ 407,404 | \$ 14,846,602 | \$ 620,921 | \$ 19,697,787 |
| Receivables: | | | | | |
| Taxes. | 6,153,336 | 807,619 | - | 189,827 | 7,150,782 |
| Accounts | - | - | - | 652 | 652 |
| Accrued interest | 73 | - | - | - | 73 |
| Intergovernmental. | 124,710 | - | 16,511,120 | 88,690 | 16,724,520 |
| Prepayments. | 44,606 | - | - | - | 44,606 |
| Materials and supplies inventory. | - | - | - | 2,315 | 2,315 |
| Inventory held for resale. | - | - | - | 5,450 | 5,450 |
| Total assets | <u>\$ 10,145,585</u> | <u>\$ 1,215,023</u> | <u>\$ 31,357,722</u> | <u>\$ 907,855</u> | <u>\$ 43,626,185</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 20,348 | \$ - | \$ - | \$ - | \$ 20,348 |
| Contracts payable. | - | - | 63,350 | - | 63,350 |
| Accrued wages and benefits payable | 1,123,697 | - | - | 86,237 | 1,209,934 |
| Intergovernmental payable | 44,015 | - | - | 54,056 | 98,071 |
| Pension and postemployment payable. | 164,246 | - | - | 9,484 | 173,730 |
| Total liabilities. | <u>1,352,306</u> | <u>-</u> | <u>63,350</u> | <u>149,777</u> | <u>1,565,433</u> |
| Deferred inflows of resources: | | | | | |
| Property taxes levied for the next fiscal year. | 5,531,537 | 726,046 | - | 170,681 | 6,428,264 |
| Delinquent property tax revenue not available. | 586,235 | 76,907 | - | 18,051 | 681,193 |
| Intergovernmental revenue not available. | 120,793 | - | 16,511,120 | 24,821 | 16,656,734 |
| Total deferred inflows of resources | <u>6,238,565</u> | <u>802,953</u> | <u>16,511,120</u> | <u>213,553</u> | <u>23,766,191</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Materials and supplies inventory. | - | - | - | 2,315 | 2,315 |
| Prepays. | 44,606 | - | - | - | 44,606 |
| Restricted: | | | | | |
| Debt service | - | 412,070 | - | - | 412,070 |
| Capital improvements | - | - | 14,783,252 | 398,578 | 15,181,830 |
| Classroom facilities maintenance | - | - | - | 28,573 | 28,573 |
| Food service operations | - | - | - | 110,581 | 110,581 |
| Other purposes. | - | - | - | 8 | 8 |
| Extracurricular. | - | - | - | 23,620 | 23,620 |
| Assigned: | | | | | |
| Student instruction | 19,145 | - | - | - | 19,145 |
| Student and staff support. | 18,634 | - | - | - | 18,634 |
| School supplies | 10,841 | - | - | - | 10,841 |
| Other purposes. | 4,829 | - | - | - | 4,829 |
| Unassigned (deficit) | 2,456,659 | - | - | (19,150) | 2,437,509 |
| Total fund balances | <u>2,554,714</u> | <u>412,070</u> | <u>14,783,252</u> | <u>544,525</u> | <u>18,294,561</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 10,145,585</u> | <u>\$ 1,215,023</u> | <u>\$ 31,357,722</u> | <u>\$ 907,855</u> | <u>\$ 43,626,185</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

| | | |
|--|--------------|-------------------------|
| Total governmental fund balances | \$ | 18,294,561 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 1,468,875 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Taxes receivable | \$ 681,193 | |
| Intergovernmental receivable | 16,656,734 | |
| Total | 17,337,927 | 17,337,927 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | (320,007) |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (128,934) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows - pension | 2,152,633 | |
| Deferred inflows - pension | (1,311,136) | |
| Net pension liability | (18,544,717) | |
| Total | (17,703,220) | (17,703,220) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Capital lease obligations | (33,287) | |
| Compensated absences | (750,186) | |
| Lease-purchase agreements | (435,048) | |
| Qualified school construction bonds payable | (1,105,000) | |
| School improvement bonds | (14,300,993) | |
| Total | (16,624,514) | (16,624,514) |
| Net position of governmental activities | \$ | <u>2,324,688</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | General | Bond Retirement | Classroom Facilities | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------|-------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes | \$ 5,370,753 | \$ 542,851 | \$ - | \$ 130,579 | \$ 6,044,183 |
| Tuition | 580,772 | - | - | - | 580,772 |
| Transportation fees | - | - | - | 9,997 | 9,997 |
| Earnings on investments | 8,216 | - | 13,580 | 355 | 22,151 |
| Charges for services | - | - | - | 222,164 | 222,164 |
| Extracurricular | - | - | - | 78,765 | 78,765 |
| Classroom materials and fees | 26,264 | - | - | - | 26,264 |
| Rental income | 69,182 | - | - | - | 69,182 |
| Contributions and donations | 25,569 | - | - | 2,580 | 28,149 |
| Contract services | 1,681 | - | - | - | 1,681 |
| Other local revenues | 38,090 | - | - | - | 38,090 |
| Intergovernmental - state | 8,322,149 | 19,941 | 1,041,600 | 32,344 | 9,416,034 |
| Intergovernmental - federal | 247,268 | - | - | 763,106 | 1,010,374 |
| Total revenues | 14,689,944 | 562,792 | 1,055,180 | 1,239,890 | 17,547,806 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,679,879 | - | - | 79,951 | 5,759,830 |
| Special | 1,035,413 | - | - | 482,603 | 1,518,016 |
| Vocational | 179 | - | - | - | 179 |
| Other | 600,448 | - | - | - | 600,448 |
| Support services: | | | | | |
| Pupil | 631,148 | - | - | - | 631,148 |
| Instructional staff | 1,262,065 | - | - | - | 1,262,065 |
| Board of education | 42,471 | - | - | - | 42,471 |
| Administration | 1,079,500 | - | - | - | 1,079,500 |
| Fiscal | 418,395 | 6,513 | - | 2,420 | 427,328 |
| Business | - | - | - | - | - |
| Operations and maintenance | 1,216,950 | - | - | 206,145 | 1,423,095 |
| Pupil transportation | 848,451 | - | - | - | 848,451 |
| Central | 42,898 | - | - | - | 42,898 |
| Operation of non-instructional services: | | | | | |
| Food service operations | - | - | - | 387,147 | 387,147 |
| Extracurricular activities | 305,224 | - | - | 152,543 | 457,767 |
| Facilities acquisition and construction | - | - | 63,350 | 110,157 | 173,507 |
| Debt service: | | | | | |
| Principal retirement | 84,178 | 5,154,007 | - | - | 5,238,185 |
| Interest and fiscal charges | 21,335 | 78,880 | - | - | 100,215 |
| Bond and note issuance costs | - | 89,900 | 167,330 | - | 257,230 |
| Total expenditures | 13,268,534 | 5,329,300 | 230,680 | 1,420,966 | 20,249,480 |
| Excess (deficiency) of revenues over (under) expenditures | 1,421,410 | (4,766,508) | 824,500 | (181,076) | (2,701,674) |
| Other financing sources (uses): | | | | | |
| Premium on bonds and notes issued | - | 178,578 | 167,330 | - | 345,908 |
| Bonds and notes issued | - | 5,000,000 | 13,791,422 | 398,578 | 19,190,000 |
| Transfers in | - | - | - | 62,341 | 62,341 |
| Transfers (out) | (62,341) | - | - | - | (62,341) |
| Total other financing sources (uses) | (62,341) | 5,178,578 | 13,958,752 | 460,919 | 19,535,908 |
| Net change in fund balances | 1,359,069 | 412,070 | 14,783,252 | 279,843 | 16,834,234 |
| Fund balances at beginning of year | 1,199,349 | - | - | 258,767 | 1,458,116 |
| Increase (decrease) in reserve for inventory | (3,704) | - | - | 5,915 | 2,211 |
| Fund balances at end of year | \$ 2,554,714 | \$ 412,070 | \$ 14,783,252 | \$ 544,525 | \$ 18,294,561 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | | |
|---|------------|-------------------|
| Net change in fund balances - total governmental funds | \$ | 16,834,234 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 271,669 | |
| Current year depreciation | (291,810) | |
| Total | | (20,141) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (1,558) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | 2,211 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | 13,391 | |
| Intergovernmental | 16,393,789 | |
| Total | | 16,407,180 |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| Bonds | 154,007 | |
| Notes | 5,000,000 | |
| Lease-purchase | 63,286 | |
| Capital leases | 20,892 | |
| Total | | 5,238,185 |
| Issuance of bonds and notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. | | |
| | | (19,190,000) |
| Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. | | |
| | | (345,908) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities. | | |
| Increase in accrued interest payable | (100,465) | |
| Amortization of bond premiums | 25,901 | |
| Total | | (74,564) |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | | 1,065,423 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (878,487) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | (248,988) |
| Change in net position of governmental activities | \$ | 18,787,587 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 2,934,610 | \$ 2,916,327 | \$ 2,925,469 | \$ 9,142 |
| Tuition | 446,405 | 442,775 | 580,772 | 137,997 |
| Earnings on investments | 4,453 | 4,399 | 8,619 | 4,220 |
| Rental income | 61,072 | 60,640 | 69,182 | 8,542 |
| Contributions and donations | 3,800 | 3,800 | - | (3,800) |
| Contract services. | 22,300 | 22,289 | 1,681 | (20,608) |
| Intergovernmental - state | 7,740,194 | 7,691,992 | 7,713,066 | 21,074 |
| Intergovernmental - federal | - | - | 247,268 | 247,268 |
| Total revenues | <u>11,212,834</u> | <u>11,142,222</u> | <u>11,546,057</u> | <u>403,835</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,143,156 | 3,270,239 | 3,258,624 | 11,615 |
| Special. | 988,574 | 1,028,608 | 1,026,559 | 2,049 |
| Vocational. | 485 | 500 | 394 | 106 |
| Other. | 591,778 | 615,780 | 615,448 | 332 |
| Support services: | | | | |
| Pupil. | 515,987 | 536,876 | 535,638 | 1,238 |
| Instructional staff | 1,120,304 | 1,165,227 | 1,151,920 | 13,307 |
| Board of education | 46,537 | 48,201 | 42,680 | 5,521 |
| Administration. | 1,060,301 | 1,103,229 | 1,100,764 | 2,465 |
| Fiscal | 376,107 | 390,977 | 381,310 | 9,667 |
| Operations and maintenance. | 955,016 | 993,094 | 976,407 | 16,687 |
| Pupil transportation | 928,332 | 964,010 | 914,854 | 49,156 |
| Central. | 56,750 | 58,922 | 55,697 | 3,225 |
| Extracurricular activities. | 378,456 | 393,575 | 387,683 | 5,892 |
| Facilities acquisition and construction | 28,178 | 28,499 | 8,234 | 20,265 |
| Total expenditures | <u>10,189,961</u> | <u>10,597,737</u> | <u>10,456,212</u> | <u>141,525</u> |
| Excess of revenues over expenditures. | <u>1,022,873</u> | <u>544,485</u> | <u>1,089,845</u> | <u>545,360</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 124,787 | 124,787 | 119,336 | (5,451) |
| Transfers (out). | (69,000) | (69,000) | (62,341) | 6,659 |
| Sale of capital assets | 1,062 | 1,062 | 907 | (155) |
| Total other financing sources (uses) | <u>56,849</u> | <u>56,849</u> | <u>57,902</u> | <u>1,053</u> |
| Net change in fund balance | 1,079,722 | 601,334 | 1,147,747 | 546,413 |
| Fund balance at beginning of year | 2,338,360 | 2,338,360 | 2,338,360 | - |
| Prior year encumbrances appropriated | 166,737 | 166,737 | 166,737 | - |
| Fund balance at end of year | <u>\$ 3,584,819</u> | <u>\$ 3,106,431</u> | <u>\$ 3,652,844</u> | <u>\$ 546,413</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

| | <u>Agency</u> |
|--------------------------------|------------------|
| Assets: | |
| Equity in pooled cash | |
| and cash equivalents | \$ 43,299 |
| Total assets. | <u>\$ 43,299</u> |
| Liabilities: | |
| Due to students. | \$ 43,299 |
| Total liabilities | <u>\$ 43,299</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Champion Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education, consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District is staffed by 54 non-certified employees and 104 certified full-time teaching personnel who provide services to 1,451 students and other community members. The District currently operates three instructional buildings, one athletic building, and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one blended component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and the blended component unit.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following organizations are described due to their relationship to the District:

BLENDED COMPONENT UNIT

Champion School Building Corporation (the "Corporation")

The Champion School Building Corporation (the "Corporation") is considered a blended component unit of the District by virtue of meeting the criteria previously noted. The Corporation is a nonprofit organization with the specific purpose of purchasing, leasing or otherwise acquiring real estate, and to construct thereon any and all public improvements within the boundaries of the District.

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

The Northeast Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. Each of the school districts supports NEOMIN based upon a per-pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board, which consists of ten members: the Trumbull and Ashtabula County Superintendents (permanent members), three Superintendents from Ashtabula County school districts, three Superintendents from Trumbull County school districts, and one Treasurer from Trumbull and Ashtabula County who must be employed by a participating school district, the fiscal agent, or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 528 Educational Highway, Warren, Ohio 44483.

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fourteen participating school districts' elected governing boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

INSURANCE RATING AND PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance rating pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Trumbull County Schools Employee Insurance Benefit Consortium Association (the "Consortium")

The Trumbull County Schools Employee Insurance Benefit Consortium Association (the "Consortium") is a shared risk pool comprised of fifteen Trumbull 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 exercises control over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, the Trumbull County Educational Service Center. The fiscal agent will then remit the charges for services to Watson Wyatt Worldwide in Cleveland, Ohio, an agent of Medical Mutual, who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Classroom facilities fund - The classroom facilities fund is used to account for intergovernmental revenues from the State that are restricted for building renovation under the Ohio Facilities Construction Commission's Ohio School Facilities Commission (OSFC) program.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: private-purpose trust funds, agency funds, pension trust funds and investment trust funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents unavailables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2016 is as follows:

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

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflects the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2016. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2016, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Under existing Ohio statute, interest earnings are assigned to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$8,216, which includes \$1,153 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

| Description | Governmental Activities Estimated Lives |
|----------------------------|---|
| Land improvements | 15 - 30 years |
| Buildings and improvements | 15 - 30 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 5 - 15 years |

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. The District reported no interfund balances at June 30, 2016.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of current service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable". The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor 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 District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the statement of net position/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Estimates

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

P. Interfund Activity

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

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---------------------------|----------------|
| IDEA, Part B | \$ 2,748 |
| Title I | 6,363 |
| Improving teacher quality | 1,471 |
| Permanent improvement | 8,568 |

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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 five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2016, the District had \$601 in undeposited cash on hand, which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents".

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$19,740,483. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$3,104,222 of the District’s bank balance of \$19,866,049 was exposed to custodial risk as discussed below, while \$16,761,827 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2016, the District had the following investment and maturity:

| <u>Investment type</u> | <u>Net asset value</u> | <u>Investment Maturity</u> |
|------------------------|------------------------|----------------------------|
| STAR Ohio | <u>\$ 2</u> | <u>48.6 days</u> |

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 19,740,483 |
| Investments | 2 |
| Cash on hand | <u>601</u> |
| Total | <u>\$ 19,741,086</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 19,697,787 |
| Agency fund | <u>43,299</u> |
| Total | <u>\$ 19,741,086</u> |

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016 consisted of the following, as reported on the fund financial statements:

| | |
|---|------------------|
| <u>Transfer to nonmajor governmental fund from:</u> | <u>Amount</u> |
| General fund | <u>\$ 62,341</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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 District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$35,564 in the general fund, \$4,666 in the debt service fund, \$492 in the permanent improvement fund (a nonmajor governmental fund) and \$603 in the classroom facilities and maintenance fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$33,871 in the general fund and \$540 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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 inflows.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

| | 2015 Second Half Collections | | 2016 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 162,159,870 | 97.76 | \$ 162,227,400 | 97.70 |
| Public utility personal | <u>3,715,480</u> | <u>2.24</u> | <u>3,819,040</u> | <u>2.30</u> |
| Total | <u>\$ 165,875,350</u> | <u>100.00</u> | <u>\$ 166,046,440</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 48.60 | | \$ 53.55 | |

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|-------------------|----------------------|
| Taxes | \$ 7,150,782 |
| Accounts | 652 |
| Intergovernmental | 16,724,520 |
| Accrued interest | <u>73</u> |
| Total receivables | <u>\$ 23,876,027</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year with the exception of the \$16,511,120 OSFC grant receivable that will be collected over the course of the project.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

| | Balance <u>July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2016</u> |
|---|--------------------------------|--------------------|-------------------|---------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 38,950 | \$ 106,000 | \$ - | \$ 144,950 |
| Construction in progress | <u>-</u> | <u>63,350</u> | <u>-</u> | <u>63,350</u> |
| Total capital assets, not being depreciated | <u>38,950</u> | <u>169,350</u> | <u>-</u> | <u>208,300</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 69,711 | - | - | 69,711 |
| Buildings and improvements | 7,190,657 | - | - | 7,190,657 |
| Furniture and equipment | 2,209,270 | 15,764 | (7,962) | 2,217,072 |
| Vehicles | <u>1,354,101</u> | <u>86,555</u> | <u>-</u> | <u>1,440,656</u> |
| Total capital assets, being depreciated | <u>10,823,739</u> | <u>102,319</u> | <u>(7,962)</u> | <u>10,918,096</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (49,487) | (4,903) | - | (54,390) |
| Buildings and improvements | (6,457,096) | (151,987) | - | (6,609,083) |
| Furniture and equipment | (1,825,682) | (78,689) | 6,404 | (1,897,967) |
| Vehicles | <u>(1,039,850)</u> | <u>(56,231)</u> | <u>-</u> | <u>(1,096,081)</u> |
| Total accumulated depreciation | <u>(9,372,115)</u> | <u>(291,810)</u> | <u>6,404</u> | <u>(9,657,521)</u> |
| Governmental activities capital assets, net | <u>\$ 1,490,574</u> | <u>\$ (20,141)</u> | <u>\$ (1,558)</u> | <u>\$ 1,468,875</u> |

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

| | |
|--------------------------------|-----------------------|
| <u>Instruction:</u> | |
| Regular | \$ 133,485 |
| Special | 443 |
| Vocational | 3,301 |
| <u>Support services:</u> | |
| Administration | 5,118 |
| Fiscal | 155 |
| Operations and maintenance | 25,114 |
| Pupil transportation | 50,907 |
| Extracurricular activities | 71,298 |
| Food service operations | <u>1,989</u> |
| Total depreciation expense | <u>\$ 291,810</u> |

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

- A. During fiscal year 2013, the District entered into a capitalized lease for copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$64,531. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$41,945, leaving a current book value of \$22,586. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2016 totaled \$13,138 and \$1,420, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2017 | \$ 14,558 |
| 2018 | <u>8,492</u> |
| Total minimum lease payments | 23,050 |
| Less: amount representing interest | <u>(905)</u> |
| Total | <u>\$ 22,145</u> |

- B. During fiscal year 2013, the District entered into a capital lease agreement for computer heating controls. The items received as part of this capital lease agreement were not capitalized. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on budgetary statements.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

A liability corresponding to this capital lease agreement is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2016 totaled \$7,754 and \$480, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2017 | \$ 7,601 |
| 2018 | <u>3,801</u> |
| Total minimum lease payments | 11,402 |
| Less: amount representing interest | <u>(260)</u> |
| Total | <u>\$ 11,142</u> |

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

| | Balance Outstanding <u>July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>June 30, 2016</u> | Amounts Due in <u>One Year</u> |
|--|---|----------------------|-----------------------|--|--------------------------------------|
| Qualified school construction bonds (2010) | \$ 395,000 | \$ - | \$ (35,000) | \$ 360,000 | \$ 35,000 |
| Qualified school construction bonds (2011) | 810,000 | - | (65,000) | 745,000 | 65,000 |
| School improvement bonds (2015) | 165,000 | - | (54,007) | 110,993 | 54,961 |
| School improvement notes (2015) | - | 5,000,000 | (5,000,000) | - | - |
| School improvement bonds (2016-1) | - | 9,190,000 | - | 9,190,000 | 245,000 |
| School improvement bonds (2016-2) | - | 5,000,000 | - | 5,000,000 | 100,000 |
| Net pension liability | 16,164,341 | 2,380,376 | - | 18,544,717 | - |
| Capital lease obligations | 54,179 | - | (20,892) | 33,287 | 21,163 |
| Lease-purchase agreement | 498,334 | - | (63,286) | 435,048 | 65,754 |
| Compensated absences | <u>560,888</u> | <u>300,331</u> | <u>(111,033)</u> | 750,186 | <u>31,458</u> |
| Unamortized premiums | | | | <u>320,007</u> | |
| Total governmental activities long-term liabilities | <u>\$ 18,647,742</u> | <u>\$ 21,870,707</u> | <u>\$ (5,349,218)</u> | <u>\$ 35,489,238</u> | <u>\$ 618,336</u> |

B. Qualified school construction bonds (2010): On December 21, 2009, the District issued \$567,762 in qualified school construction bonds. These bonds have an interest rate of 1.93% and mature on September 15, 2024. The improvements resulting from this bond issuance were not capitalized by the District. Principal and interest payments are made from the bond retirement fund (a nonmajor governmental fund).

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the qualified school construction bonds (2010):

| Fiscal Year Ended, | Qualified School Construction Bonds (2010) | | |
|-----------------------|--|------------------|-------------------|
| | Principal | Interest | Total |
| 2017 | \$ 35,000 | \$ 6,610 | \$ 41,610 |
| 2018 | 40,000 | 5,886 | 45,886 |
| 2019 | 40,000 | 5,114 | 45,114 |
| 2020 | 40,000 | 4,342 | 44,342 |
| 2021 | 40,000 | 3,570 | 43,570 |
| 2022 - 2025 | <u>165,000</u> | <u>6,512</u> | <u>171,512</u> |
| Total | <u>\$ 360,000</u> | <u>\$ 32,034</u> | <u>\$ 392,034</u> |

Qualified school construction bonds (2011): On February 28, 2011, the District issued \$1,051,500 in qualified school construction bonds. These bonds have an interest rate of 6.20% and mature on September 15, 2025. The improvements resulting from this bond issuance were not capitalized by the District. Principal and interest payments are made from the bond retirement fund.

The following is a summary of the District's future annual debt service requirements to maturity for the qualified school construction bonds (2011):

| Fiscal Year Ended, | Qualified School Construction Bonds (2011) | | |
|-----------------------|--|-------------------|-------------------|
| | Principal | Interest | Total |
| 2017 | \$ 65,000 | \$ 44,175 | \$ 109,175 |
| 2018 | 65,000 | 40,145 | 105,145 |
| 2019 | 65,000 | 36,115 | 101,115 |
| 2020 | 75,000 | 31,775 | 106,775 |
| 2021 | 75,000 | 27,125 | 102,125 |
| 2022 - 2026 | <u>400,000</u> | <u>65,100</u> | <u>465,100</u> |
| Total | <u>\$ 745,000</u> | <u>\$ 244,435</u> | <u>\$ 989,435</u> |

Lease-purchase agreement - athletic facilities: During fiscal year 2002, the District entered into a lease-purchase agreement with the Champion School Building Corporation to provide new athletic facilities, including stadium bleachers, a field house, an all-weather track, and concession/restroom facilities. The Champion School Building Corporation borrowed \$1,100,000 on March 27, 2002, at an interest rate of 4.75%. On May 1, 2002, it assigned the loan to the District. The lease-purchase agreement is being repaid in equal installments over a twenty year period, beginning December 1, 2002. On December 1, 2012, the Champion School Building Corporation refinanced the lease-purchase agreement at an interest rate of 3.90%. Lease-purchase agreement payments are made from the general fund. Lease-purchase agreement payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on budgetary statements.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Capital assets consisting of building improvements have been capitalized in the amount of \$1,100,000. This amount represents the present value of the minimum lease-purchase agreement payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$770,000, leaving a current book value of \$330,000. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2016 totaled \$63,286 and \$19,435, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease-purchase agreement payments required under the lease-purchase agreement and the present value of the future minimum lease-purchase agreement payments as of June 30, 2016:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|---|-------------------|
| 2017 | \$ 82,721 |
| 2018 | 82,721 |
| 2019 | 82,721 |
| 2020 | 82,721 |
| 2021 | 82,720 |
| 2022 | <u>82,720</u> |
| Total minimum lease-purchase agreement payments | 496,324 |
| Less: amount representing interest | <u>(61,276)</u> |
| Total | <u>\$ 435,048</u> |

School improvement bonds - series 2015 - On June 12, 2015, the District issued \$165,000 in general obligation serial bonds, for the purpose of paying costs of constructing a parking lot at the Board of Education building and constructing improvements to the all-weather track at Champion High School. Principal and interest payments are made from the bond retirement fund.

The interest rate on the current interest bonds are 1.95%. Interest payments on the current interest serial bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is June 1, 2018.

The following is a summary of the District's future annual debt service requirements to maturity for the series 2015 bonds:

| <u>Fiscal Year</u> | <u>Current Interest - Series 2015</u> | | |
|--------------------|---------------------------------------|-----------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2017 | \$ 54,961 | \$ 2,164 | \$ 57,125 |
| 2018 | <u>56,032</u> | <u>1,093</u> | <u>57,125</u> |
| Total | <u>\$ 110,993</u> | <u>\$ 3,257</u> | <u>\$ 114,250</u> |

School improvement notes - series 2015 - On December 17, 2015, the District issued \$5,000,000 in classroom facilities improvement notes, for the purpose of constructing, furnishing and equipping a new elementary/ middle school buildings. Principal and interest payments are made from the bond retirement fund.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The interest rate on the classroom facilities improvement notes are 2.00%. These notes matured on May 18, 2016.

The District fulfilled its obligation for the classroom facilities improvement notes in fiscal year 2016.

School improvement bonds - series 2016-1 - On April 5, 2016, the District issued \$9,190,000 in general obligation serial bonds, for the purpose of constructing, furnishing and equipping a new elementary/ middle school buildings. Principal and interest payments are made from the bond retirement fund.

The interest rate on the current interest bonds range from 1.00% to 4.00%. Interest payments on the current interest serial bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2052.

The following is a summary of the District's future annual debt service requirements to maturity for the series 2016-1 bonds:

| Fiscal Year | Current Interest - Series 2016-1 | | |
|-------------|----------------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2017 | \$ 245,000 | \$ 363,779 | \$ 608,779 |
| 2018 | 140,000 | 312,718 | 452,718 |
| 2019 | 140,000 | 311,144 | 451,144 |
| 2020 | 140,000 | 309,218 | 449,218 |
| 2021 | 145,000 | 307,081 | 452,081 |
| 2022 - 2026 | 760,000 | 1,491,070 | 2,251,070 |
| 2027 - 2031 | 885,000 | 1,352,070 | 2,237,070 |
| 2032 - 2036 | 1,080,000 | 1,156,570 | 2,236,570 |
| 2037 - 2041 | 1,320,000 | 917,170 | 2,237,170 |
| 2042 - 2046 | 1,590,000 | 639,232 | 2,229,232 |
| 2047 - 2051 | 1,890,000 | 330,925 | 2,220,925 |
| 2052 - 2053 | 855,000 | 31,262 | 886,262 |
| Total | <u>\$ 9,190,000</u> | <u>\$ 7,522,239</u> | <u>\$ 16,712,239</u> |

School improvement bonds - series 2016-2 - On April 26, 2016, the District issued \$5,000,000 in general obligation serial bonds, for the purpose of constructing, furnishing and equipping a new elementary/ middle school buildings. Principal and interest payments are made from the bond retirement fund.

The interest rate on the current interest bonds range from 1.00% to 4.00%. Interest payments on the current interest serial bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2052.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the series 2016-2 bonds:

| Fiscal Year | Current Interest - Series 2016-2 | | |
|-------------|----------------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2017 | \$ 100,000 | \$ 180,487 | \$ 280,487 |
| 2018 | 80,000 | 163,550 | 243,550 |
| 2019 | 80,000 | 162,750 | 242,750 |
| 2020 | 80,000 | 161,850 | 241,850 |
| 2021 | 80,000 | 160,750 | 240,750 |
| 2022 - 2026 | 420,000 | 782,175 | 1,202,175 |
| 2027 - 2031 | 490,000 | 706,775 | 1,196,775 |
| 2032 - 2036 | 600,000 | 598,375 | 1,198,375 |
| 2037 - 2041 | 725,000 | 466,456 | 1,191,456 |
| 2042 - 2046 | 865,000 | 329,019 | 1,194,019 |
| 2047 - 2051 | 1,020,000 | 172,139 | 1,192,139 |
| 2052 - 2053 | 460,000 | 16,273 | 476,273 |
| Total | <u>\$ 5,000,000</u> | <u>\$ 3,900,599</u> | <u>\$ 8,900,599</u> |

Capital lease obligations: The capital lease obligations will be paid from the general fund. See Note 9 for details.

Compensated absences: Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

Net pension liability: See Note 13 for information on the District's net pension liability.

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$0 and an unvoted debt margin of \$166,046.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The school district may incur net indebtedness in excess of the 9% limitation when necessary to raise the school district's portion of the basic project cost and any additional funds necessary to participate in a project under Chapter 3318 of the Revised Code, including the cost of items designated by the Ohio School Facilities Commission as required locally funded initiatives, the cost of other locally funded initiatives in an amount that does not exceed 50% of the district's portion of the basic project cost, and the cost for site acquisition. As a result, any portion of the otherwise nonexempt debt authorized by the District's voters in excess of the 9% limitation is exempted from that limitation.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vested vacation leave and sick leave components are derived from negotiated agreements and State laws. Classified 11 or 12-month employees earn 10 to 25 days of vacation leave per year, depending upon length of service. Vacation leave for these employees is not accumulated and must be used by May 30 of each fiscal year.

Each employee is entitled to 15 days of sick leave with pay each year under contract and accrues sick leave at the rate of 1¼ days for each calendar month under contract.

Only administrative or school support personnel accumulate vacation leave on the following factors:

| <u>School Support Personnel</u> | <u>Vacation Leave</u> |
|---------------------------------|-----------------------|
| After 1 year | 10 days |
| 9 or more years | 15 days |
| 16 or more years | 20 days |

The Superintendent receives 30 days and the Treasurer receives 25 days of vacation leave, annually.

Classified employees with 5 years of service in the District who elect to retire shall receive, in one lump-sum payment, 33.34% of their unused sick leave (up to a maximum of 60 days) multiplied times their per-diem rate at the time of retirement. Certified employees with 5 years of service in the District who elect to retire shall receive, in one lump-sum payment, 20% of their unused sick leave (up to a maximum of 65 days) multiplied times their per-diem rate at the time of retirement. The Superintendent and Treasurer receive severance based upon 50% of their unused sick leave.

Teachers, administrators, and classified employees earn sick leave at the rate of 1¼ days per month. Sick leave may be accumulated up to a maximum of 325 days for all certified employees and up to a maximum of 180 days for all classified employees.

NOTE 12 - RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to school employees and natural disasters. During fiscal year 2016, the District contracted with Argonaut Insurance Company for property insurance with a \$1,000 deductible and Professional liability with a \$1,000,000 per occurrence and \$3,000,000 aggregate limit.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT - (Continued)

Vehicles are also covered by Argonaut Insurance Company and hold a \$500 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 per vehicle limit of liability. Settled claims have not exceeded this commercial coverage in any of the last ten years.

\$20,000 performance bonds are maintained for the Superintendent, Treasurer and Board President. All performance bonds are maintained by the Nationwide Mutual Insurance Company.

B. Workers' Compensation Group Rating Program

For fiscal year 2016, the District participated in the Ohio School Board Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The District has elected to provide various employee benefits through a consortium of school districts known as the Trumbull County Schools Insurance Consortium Association (the "Consortium"). The lone exception to this Consortium is Vision Insurance which is contracted directly through Vision Service Plan. All of the following noted premiums are paid from the fund that pays the salary of the employee so enrolled.

The provider contracted through the Consortium for Life Insurance is ING, Inc. Coverage is \$50,000 for all administrative staff and their support staff, certified staff, and for all 12 month full-time union classified staff. \$40,000 is provided to non-union and union part-time classified staff working 20 or more hours per week. The Superintendent is covered by a \$150,000 policy and the Treasurer is covered by a \$100,000 policy. The premium is \$0.95 per \$10,000 of coverage.

The provider contracted through the Consortium for medical/surgical benefits is Medical Mutual. The District pays monthly premiums for Preferred Provider 1 of \$1,382.05 for family coverage or \$531.36 for individual coverage. Preferred Provider 2 benefit premiums are \$1,240.84 for family coverage or \$476.89 for individual coverage per month. Preferred Provider 3 benefit premiums are \$1,099.64 for family coverage and \$422.44 for individual coverage per month. Hospitalization coverage is available to staff working 20 hours or more per week. Premium contributions are required of specific enrollees depending upon their employee classification and/or situation.

The provider contracted through the Consortium for dental benefits is Delta Dental. Premiums for dental coverage are \$59.23 per month per employee. Dental coverage is available to staff working 20 hours or more per week.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$216,436 for fiscal year 2016. Of this amount, \$6,633 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$848,987 for fiscal year 2016. Of this amount, \$136,452 is reported as pension and postemployment benefits payable.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.05451300% | 0.05511330% | |
| Proportion of the net pension liability current measurement date | <u>0.05142490%</u> | <u>0.05648341%</u> | |
| Change in proportionate share | <u>-0.00308810%</u> | <u>0.00137011%</u> | |
| Proportionate share of the net pension liability | \$ 2,934,355 | \$ 15,610,362 | \$ 18,544,717 |
| Pension expense | \$ 141,631 | \$ 736,856 | \$ 878,487 |

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 48,302 | \$ 709,230 | \$ 757,532 |
| Changes in proportionate share | - | 329,678 | 329,678 |
| District contributions subsequent to the measurement date | <u>216,436</u> | <u>848,987</u> | <u>1,065,423</u> |
| Total deferred outflows of resources | <u>\$ 264,738</u> | <u>\$ 1,887,895</u> | <u>\$ 2,152,633</u> |
| Deferred inflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 116,250 | \$ 1,076,441 | \$ 1,192,691 |
| Changes in proportionate share | <u>118,445</u> | <u>-</u> | <u>118,445</u> |
| Total deferred inflows of resources | <u>\$ 234,695</u> | <u>\$ 1,076,441</u> | <u>\$ 1,311,136</u> |

\$1,065,423 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|--------------------|---------------------|
| 2017 | \$ (79,215) | \$ (156,322) | \$ (235,537) |
| 2018 | (79,215) | (156,322) | (235,537) |
| 2019 | (79,215) | (156,320) | (235,535) |
| 2020 | <u>51,252</u> | <u>431,431</u> | <u>482,683</u> |
| Total | <u>\$ (186,393)</u> | <u>\$ (37,533)</u> | <u>\$ (223,926)</u> |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22.00 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | <u>15.00</u> | 7.50 |
| Total | <u><u>100.00 %</u></u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 4,068,895 | \$ 2,934,355 | \$ 1,978,978 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | <u>1.00</u> | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 21,683,971 | \$ 15,610,362 | \$ 10,474,221 |

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$25,549.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$25,549, \$40,044, and \$34,770, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$57,478, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

| Net Change in Fund Balance | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 1,147,747 |
| Net adjustment for revenue accruals | (13,239) |
| Net adjustment for expenditure accruals | 220,070 |
| Net adjustment for other sources/uses | (120,243) |
| Funds budgeted elsewhere | 74,036 |
| Adjustment for encumbrances | <u>50,698</u> |
| GAAP basis | <u>\$ 1,359,069</u> |

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the special rotary fund, uniform school supplies fund, emergency levy fund, and the public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. There were three adjustments to Foundation revenue. The first adjustment was \$3,917, which is recorded as an intergovernmental receivable on the statement of net position. The second adjustment was \$18,598, which is recorded as an intergovernmental payable on the statement of net position. The third adjustment was \$119, which is recorded as an intergovernmental receivable on the statement of net position.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2016, the District issued \$14,190,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$14,190,000 at June 30, 2016.

The following cash-basis information describes the change in the fiscal year end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2015 | \$ - |
| Current year set-aside requirement | 256,876 |
| Current year qualifying expenditures | (179,065) |
| Current year offsets | <u>(124,026)</u> |
| Total | <u>\$ (46,215)</u> |
| Balance carried forward to fiscal year 2017 | <u>\$ -</u> |
| Set-aside balance June 30, 2016 | <u><u>\$ -</u></u> |

NOTE 18 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Year End Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund | \$ 29,340 |
| Nonmajor governmental funds | <u>3,074</u> |
| Total | <u><u>\$ 32,414</u></u> |

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

Effective August 1, 2016, Laurena Rouan became the Treasurer, replacing Brian Gillespie.

REQUIRED SUPPLEMENTARY INFORMATION

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.05142490% | 0.05451300% | 0.05451300% |
| District's proportionate share of the net pension liability | \$ 2,934,355 | \$ 2,758,872 | \$ 3,241,713 |
| District's covered-employee payroll | \$ 1,548,156 | \$ 1,584,040 | \$ 1,457,283 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.54% | 174.17% | 222.45% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.16% | 71.70% | 65.52% |

Note: Information prior to fiscal year 2013 was unavailable.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.05648341% | 0.05511333% | 0.05511333% |
| District's proportionate share of the net pension liability | \$ 15,610,362 | \$ 13,405,469 | \$ 15,968,507 |
| District's covered-employee payroll | \$ 6,038,829 | \$ 5,631,054 | \$ 5,833,215 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 258.50% | 238.06% | 273.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.10% | 74.70% | 69.30% |

Note: Information prior to fiscal year 2013 was unavailable.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|------------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Contractually required contribution | \$ 216,436 | \$ 204,047 | \$ 219,548 | \$ 201,688 |
| Contributions in relation to the contractually required contribution | <u>(216,436)</u> | <u>(204,047)</u> | <u>(219,548)</u> | <u>(201,688)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 1,545,971 | \$ 1,548,156 | \$ 1,584,040 | \$ 1,457,283 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.18% | 13.86% | 13.84% |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 201,339 | \$ 187,557 | \$ 211,331 | \$ 155,671 | \$ 149,227 | \$ 154,637 |
| <u>(201,339)</u> | <u>(187,557)</u> | <u>(211,331)</u> | <u>(155,671)</u> | <u>(149,227)</u> | <u>(154,637)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,496,944 | \$ 1,492,100 | \$ 1,560,790 | \$ 1,582,022 | \$ 1,519,623 | \$ 1,447,912 |
| 13.45% | 12.57% | 13.54% | 9.84% | 9.82% | 10.68% |

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|------------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Contractually required contribution | \$ 848,987 | \$ 845,436 | \$ 732,037 | \$ 758,318 |
| Contributions in relation to the contractually required contribution | <u>(848,987)</u> | <u>(845,436)</u> | <u>(732,037)</u> | <u>(758,318)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 6,064,193 | \$ 6,038,829 | \$ 5,631,054 | \$ 5,833,215 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 13.00% | 13.00% |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 771,880 | \$ 809,722 | \$ 816,912 | \$ 840,381 | \$ 847,171 | \$ 861,463 |
| <u>(771,880)</u> | <u>(809,722)</u> | <u>(816,912)</u> | <u>(840,381)</u> | <u>(847,171)</u> | <u>(861,463)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 5,937,538 | \$ 6,228,631 | \$ 6,283,938 | \$ 6,464,469 | \$ 6,516,700 | \$ 6,626,638 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <i>Child Nutrition Cluster</i> | | | |
| National School Lunch Program | 10.555 | N/A | \$ 187,998 |
| National School Lunch Program - Donated Commodities | 10.555 | N/A | 34,773 |
| National School Breakfast Program | 10.553 | N/A | 4,380 |
| <i>Total Child Nutrition Cluster</i> | | | <u>227,151</u> |
| Total U.S. Department of Agriculture | | | 227,151 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <i>Title I</i> | | | |
| Title I Grants to Local Education Agencies - FY2015 | 84.010 | N/A | 45,555 |
| Title I Grants to Local Education Agencies - FY2016 | 84.010 | N/A | 210,164 |
| <i>Total Title I</i> | | | <u>255,719</u> |
| <i>Special Education</i> | | | |
| Special Education Grants to States - IDEA Part B - FY2015 | 84.027 | N/A | 46,023 |
| Special Education Grants to States - IDEA Part B - FY2016 | 84.027 | N/A | 225,256 |
| <i>Total Special Education</i> | | | <u>271,279</u> |
| <i>Improving Teacher Quality</i> | | | |
| Improving Teacher Quality State Grants - Title IIA - FY2015 | 84.367 | N/A | 6,365 |
| Improving Teacher Quality State Grants - Title IIA - FY2016 | 84.367 | N/A | 28,791 |
| <i>Total Improving Teacher Quality</i> | | | <u>35,156</u> |
| Total U.S. Department of Education | | | <u>562,154</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 789,305</u> |

The accompanying notes are an integral part of this schedule.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Champion Local School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2016 to 2017 programs:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amount Transferred</u> |
|--|------------------------|-------------------------------|
| Title I Grants to Local Education Agencies | 84.010 | \$ 34,052 |

The District transferred the following amounts from 2015 to 2016 programs:

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Amount Transferred</u> |
|--|------------------------|-------------------------------|
| Title I Grants to Local Education Agencies | 84.010 | \$ 24,937 |

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

Champion Local School District
Trumbull County
5976 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Champion Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 27, 2016.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 27, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Champion Local School District
Trumbull County
5976 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Champion Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster, Special Education Cluster and Title I Grants to Local Education Agencies

As described in findings 2016-001 and 2016-002 in the accompanying schedule of findings, the District did not comply with requirements regarding the following:

| Finding # | CFDA # | Program (or Cluster) Name | Compliance Requirement |
|-----------|------------------|--|-----------------------------------|
| 2016-001 | 10.555 10.553 | Child Nutrition Cluster | Special Tests – Paid Lunch Equity |
| 2016-002 | 84.027 84.010 | Special Education Cluster Title I Grants to Local Education Agencies | Cash Management |

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster, Special Education Cluster and Title I Grants to Local Education Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster, Special Education Cluster and Title I Grants to Local Education Agencies* paragraph, the Champion Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster, Special Education Cluster and Title I Grants to Local Education Agencies* for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2016-001 and 2016-002.

The District's responses to our noncompliance and internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

December 27, 2016

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified except qualified for Cash Management – Special Education Cluster and Title I; and qualified for Special Tests – Child Nutrition Cluster |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster – CFDA #10.555 & #10.553; Special Education Cluster – CFDA #84.027; Title I – CFDA #84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | No |

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

None.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS (Continued)
2 CFR § 200.515
JUNE 30, 2016**

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

1. Special Tests – Paid Lunch Equity

| | | | |
|---|--|-----------------------------------|-----|
| Finding Number | 2016-001 | | |
| CFDA Title and Number | Child Nutrition Cluster – CFDA #10.555 & #10.553 | | |
| Federal Award Identification Number / Year | 2016 | | |
| Federal Agency | U.S. Department of Agriculture | | |
| Pass-Through Entity | Ohio Department of Education | | |
| Repeat Finding from Prior Audit? | No | Finding Number (if repeat) | N/A |

Noncompliance and Material Weakness

7 CFR Section 210.14(e) states that for each school year beginning July 1, 2011 or later, school food authorities shall establish prices for paid lunches. Each school food authority shall:

- Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- Calculate the difference between the per meal federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference).
- Compare the average price of a paid lunch to the difference between reimbursement rates.

When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference.

When the average price from the prior school year is lower than the difference in reimbursement rates, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

- 2 percent; and
- The percentage change in the Consumers Price Index for All Urban Consumers.

We noted the District did not perform the Paid Lunch Equity Calculation during the year ended June 30, 2016 and did not increase the average lunch price to meet the required threshold. The District’s average paid lunch price for fiscal year 2016 was \$2.47. This was lower than \$2.70, which was the difference in reimbursement rates.

The District should implement controls to ensure that the required calculation is being prepared and should increase the paid lunch rates based on the results of the calculation, if applicable.

Management’s Response: See Corrective Action Plan on page 79.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS (Continued)
2 CFR § 200.515
JUNE 30, 2016**

| |
|---|
| 3. FINDINGS FOR FEDERAL AWARDS (Continued) |
|---|

2. Cash Management - Advances

| | | | |
|---|---|-----------------------------------|----------|
| Finding Number | 2016-002 | | |
| CFDA Title and Number | Special Education Cluster – CFDA #84.027 Title I Grants to Local Education Agencies – CFDA #84.010 | | |
| Federal Award Identification Number / Year | 2016 | | |
| Federal Agency | U.S. Department of Education | | |
| Pass-Through Entity | Ohio Department of Education | | |
| Repeat Finding from Prior Audit? | Yes | Finding Number (if repeat) | 2015-002 |

Noncompliance and Material Weakness

4 CFR 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 CFR 80.20(b)(7) states in part, that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Ohio Department of Education Project Cash Request Instructions state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one month plus any negative cash balance. To comply with the “Cash Management Act”, 31 CFR Part 205, the time lapse between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds must be expended within the period of time for which cash is requested.

During fiscal year 2016, the District requested advances of Title I grant funds for two months and Special Education grant funds for one month in which the total requested was not expended within the one month period after the request was made.

We recommend the Treasurer review the process for requesting federal dollars to ensure the funds are spent for the period in which requested.

Management’s Response: See Corrective Action Plan on page 79.

CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|--|--|
| 2015-001 | Missing semi-annual certifications – Special Education Cluster | Corrective Action Taken and Finding is Fully Corrected | N/A |
| 2015-002 | Cash management of advance amounts – Special Education Cluster | Not Corrected | The District has ceased making requests for advances beginning with the 2017 school year |

CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|--|------------------------------------|---|
| 2016-001 | Lunch prices will increase for fiscal year 2018 | July 1, 2017 | Mark Harper, Director of Facilities |
| 2016-002 | New procedure implemented for cash requests so that any advances requested are disbursed within the required 5 day period. | August 1, 2017 | Laurena Rouan, Treasurer |



Dave Yost • Auditor of State

CHAMPION LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 28, 2017