



**Auditor of State
Betty Montgomery**

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2004	13
Statement of Activities – For the Fiscal Year Ended June 30, 2004	14
Balance Sheet – Governmental Funds - June 30, 2004.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2004.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2004	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2004	18
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, 2004	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Emergency Levy Fund – For the Fiscal Year Ended June 30, 2004	20
Statement of Fiduciary Net Assets – Fiduciary Fund - June 30, 2004	21
Notes to the Basic Financial Statements	22
Federal Awards Expenditures Schedule for the Year Ended June 30, 2004	47
Notes to the Federal Awards Expenditures Schedule - June 30, 2004	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133	51
Schedule of Findings – June 30, 2004.....	53

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Champion Local School District
Trumbull County
5759 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Champion Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Champion Local School District, Trumbull County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General fund and Emergency Levy fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

July 22, 2005

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

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

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$1,410,692 which represents a 33.39% decrease from 2003.
- General revenues accounted for \$12,230,163 in revenue or 87.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,820,079 or 12.95% of total revenues of \$14,050,242.
- The District had \$15,460,934 in expenses related to governmental activities; only \$1,820,079 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,230,163 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and emergency levy fund. The general fund had \$10,831,010 in revenues and other financing sources and \$11,475,637 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased from \$809,619 to \$166,010.
- The emergency levy fund had \$2,040,860 in revenues and \$2,064,508 in expenditures. During fiscal 2004, the emergency levy fund's fund balance decreased \$23,648 from (\$341,846) to (\$365,494).

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 Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and emergency levy 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, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and emergency levy fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts as fiduciary in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 7,741,676	\$ 8,976,202
Capital assets	<u>4,228,467</u>	<u>4,481,062</u>
Total assets	<u>11,970,143</u>	<u>13,457,264</u>
<u>Liabilities</u>		
Current liabilities	6,828,278	6,846,831
Long-term liabilities	<u>2,328,235</u>	<u>2,386,111</u>
Total liabilities	<u>9,156,513</u>	<u>9,232,942</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,984,540	3,174,948
Restricted	93,009	581,583
Unrestricted	<u>(263,919)</u>	<u>467,791</u>
Total net assets	<u>\$ 2,813,630</u>	<u>\$ 4,224,322</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$2,813,630.

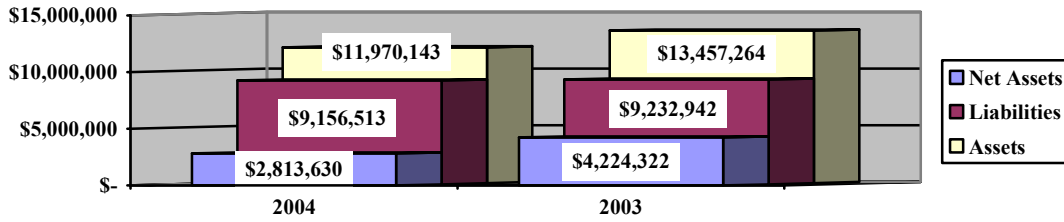
At fiscal year-end, capital assets represented 35.33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,984,540. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$93,009, represents resources that are subject to external restriction on how they may be used.

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

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

Governmental Activities



The table below shows the change in net assets for fiscal years 2004 and 2003.

Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,031,421	\$ 952,469
Operating grants and contributions	762,988	730,398
Capital grants and contributions	25,670	202,000
General revenues:		
Property taxes	4,987,684	5,052,635
Grants and entitlements	7,118,310	7,317,075
Investment earnings	18,902	51,942
Other	<u>105,267</u>	<u>122,326</u>
Total revenues	<u>14,050,242</u>	<u>14,428,845</u>

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

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

Change in Net Assets

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,323,460	\$ 6,382,645
Special	1,709,472	1,574,068
Vocational	134,998	113,027
Other	601,802	497,703
Support services:		
Pupil	614,320	668,966
Instructional staff	447,682	403,665
Board of education	45,961	101,220
Administration	1,550,010	1,322,632
Fiscal	349,356	336,109
Operations and maintenance	2,029,021	1,348,173
Pupil transportation	781,261	706,146
Central	11,277	9,565
Operations of non-instructional services	294	682
Extracurricular activities	438,770	344,804
Food service operations	374,337	434,303
Interest and fiscal charges	<u>48,913</u>	<u>45,673</u>
Total expenses	<u>15,460,934</u>	<u>14,289,381</u>
Increase in net assets	<u><u>\$ (1,410,692)</u></u>	<u><u>\$ 139,464</u></u>

Governmental Activities

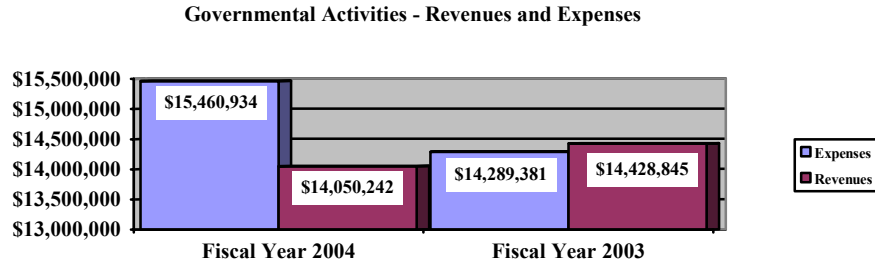
Net assets of the District's governmental activities decreased \$1,410,692. Total governmental expenses of \$15,460,934 were offset by program revenues of \$1,820,079 and general revenues of \$12,230,163. Program revenues supported 11.77% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 86.16% of total governmental revenue. Real estate property is reappraised every six years.

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

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

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses				
Instruction:				
Regular	\$ 6,323,460	\$ 5,854,276	\$ 6,382,645	\$ 5,806,507
Special	1,709,472	956,618	1,574,068	1,018,510
Vocational	134,998	134,998	113,027	113,027
Other	601,802	601,802	497,703	497,703
Support services:				
Pupil	614,320	609,446	668,966	662,980
Instructional staff	447,682	429,749	403,665	389,615
Board of education	45,961	45,961	101,220	101,220
Administration	1,550,010	1,549,662	1,322,632	1,320,263
Fiscal	349,356	345,915	336,109	336,109
Operations and maintenance	2,029,021	1,988,280	1,348,173	1,146,173
Pupil transportation	781,261	781,261	706,146	706,146
Central	11,277	5,012	9,565	3,120
Operations of non-instructional services	294	294	682	682
Extracurricular activities	438,770	323,948	344,804	241,549
Food service operations	374,337	(35,280)	434,303	15,237
Interest and fiscal charges	48,913	48,913	45,673	45,673
Total expenses	<u>\$ 15,460,934</u>	<u>\$ 13,640,855</u>	<u>\$ 14,289,381</u>	<u>\$ 12,404,514</u>

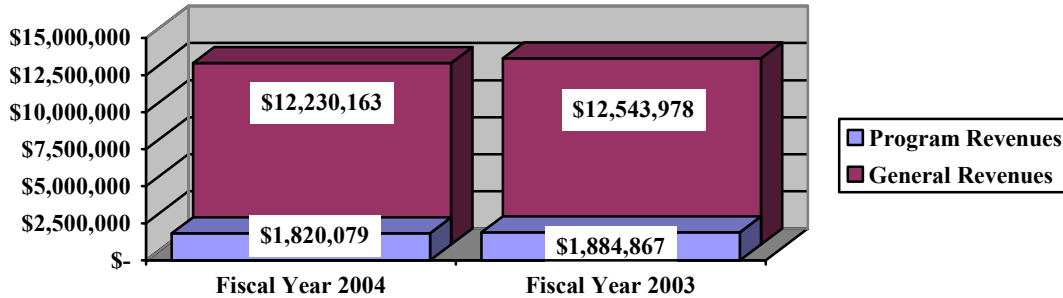
The dependence upon tax and other general revenues for governmental activities is apparent, 86.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.23%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

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

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of (\$115,699), which is lower than last year's total of \$716,888. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	<u>(Decrease)</u>
General	\$ 166,010	\$ 809,619	\$ (643,609)
Emergency levy	(365,494)	(341,846)	(23,648)
Other governmental	<u>83,785</u>	<u>249,115</u>	<u>(165,330)</u>
Total	<u>\$ (115,699)</u>	<u>\$ 716,888</u>	<u>\$ (832,587)</u>

General Fund

The District's general fund's fund balance decreased by \$643,609. The decrease in fund balance can be attributed to rising expenditures with flat revenue growth. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,073,084	\$ 2,939,537	4.54 %
Tuition	436,468	381,023	14.55 %
Earnings on investments	18,455	50,531	(63.48) %
Intergovernmental	7,118,310	7,084,027	0.48 %
Other revenues	<u>184,165</u>	<u>144,410</u>	27.53 %
Total	<u>\$ 10,830,482</u>	<u>\$ 10,599,528</u>	2.18 %
<u>Expenditures</u>			
Instruction	\$ 6,378,814	\$ 6,302,720	1.21 %
Support services	4,696,507	4,346,328	8.06 %
Extracurricular activities	280,234	268,574	4.34 %
Facilities acquisition and construction	-	17,820	(100.00) %
Debt service	<u>85,142</u>	<u>85,142</u>	- %
Total	<u>\$ 11,440,697</u>	<u>\$ 11,020,584</u>	3.81 %

Emergency Levy Fund

The District's emergency levy fund's fund balance decreased by \$23,648. The decrease in fund balance can be attributed to increasing expenditures still outpacing revenue increases.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$12,026,660, which was lower than original budgeted revenues and other financing sources of \$12,051,854. Actual revenues and other financing sources for fiscal 2004 was \$11,977,598, which was \$49,062 less than final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures and other financing uses) of \$12,608,055 were increased to \$13,045,630 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$12,986,076, which was \$59,554 less than the final budget appropriations and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$4,228,467 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

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

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

	Governmental Activities	
	2004	2003
Land	\$ 38,950	\$ 38,950
Land improvements	22,564	44,980
Building and improvements	2,451,683	2,584,092
Furniture and equipment	1,243,537	1,311,817
Vehicles	471,733	501,223
Total	\$ 4,228,467	\$ 4,481,062

Total additions to capital assets for 2004 were \$183,892. Depreciation expense for fiscal 2004 was \$429,830 and disposals were \$6,657 (net of accumulated depreciation). Overall, capital assets of the District decreased \$252,595, due to depreciation expense and disposals being more than the additions.

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

Debt Administration

At June 30, 2004, the District had \$1,243,927 in asbestos notes and lease obligations outstanding. Of this total, \$63,858 is due within one year and \$1,180,069 is due within greater than one year. The following table summarizes the notes and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2004	2003
EPA asbestos notes	\$ 228,908	\$ 255,842
Capital lease	1,015,019	1,050,272
Total	\$ 1,243,927	\$ 1,306,114

In 1995, the District issued \$484,746 in EPA asbestos notes for the removal of asbestos. The notes are scheduled to mature in fiscal year 2013 and are interest free. Payment of principal is being made from the debt service fund.

In 2002, the District issued a capital lease for the construction of an athletic complex. The complex was completed during 2003. The payments of the lease are made from the general fund.

At June 30, 2004, the District's overall legal debt margin was \$14,580,761 with an unvoted debt margin of \$162,008.

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

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

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

Current Financial Related Activities

The District is often presented with challenges and opportunities. National, State and Local events often economically affect the District and the surrounding area 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 maintain a healthy cash balance and continue a quality, comprehensive educational program for the past ten years without the need of additional tax levies.

The board's most recent five-year projections indicate that the District's needs would require additional levy millage unless the State fully funds Parity Aide or provides foundation increases in the next biennium. Salary or benefit increases would also play a major impact in the timing of any new request for additional millage.

The District has committed itself to educational and financial excellence for many years. Our most recent State Report Card shows the district students achieving an excellent score of 26 out of 27. This designation was not achieved by any other school districts in Trumbull County. Our 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 in this section 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 garner adequate resources to support the educational program. Overall, the District continues to perform at the highest level determined by the State of Ohio, which is measured by a defined set of proficiency criteria.

Several significant legislative and judicial actions have occurred that may have a major impact on our District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable" as defined by the State Constitution. The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. There is concern that the State may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the State budget. The biennial budget approved by the State for Fiscal Years 2005 and 2006 did not prove helpful to the funding situation for the District. Current changes to the State's School Foundation funding formula did not bode well for additional revenue, and in fact, caused a decline in Foundation funding for 2005. In spite of this, the Board is committed to upholding its levy promise to the community, and not seek additional operating millage until all other avenues of increasing revenues or decreasing expenditures have been exhausted.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Brian Gillespie, Treasurer at 5759 Mahoning Ave. NW, Warren, Ohio 44483-1139.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,392,828
Receivables:	
Taxes	6,199,680
Accounts	28,305
Intergovernmental	52,402
Prepayments.	43,786
Materials and supplies inventory	24,675
Capital assets:	
Land	38,950
Depreciable capital assets, net	4,189,517
Total capital assets.	<u>4,228,467</u>
 Total assets.	 <u>11,970,143</u>
 Liabilities:	
Accounts payable.	52,964
Accrued wages and benefits	1,292,148
Pension obligation payable.	312,256
Intergovernmental payable	90,233
Deferred revenue	5,052,552
Accrued interest payable	28,125
Long-term liabilities:	
Due within one year.	267,946
Due in more than one year	<u>2,060,289</u>
 Total liabilities	 <u>9,156,513</u>
 Net Assets:	
Invested in capital assets, net of related debt.	2,984,540
Restricted for:	
Capital projects	26,596
Debt service.	5,461
Other purposes	60,952
Unrestricted.	<u>(263,919)</u>
 Total net assets	 <u>\$ 2,813,630</u>

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, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,323,460	\$ 183,356	\$ 260,337	\$ 25,491	\$ (5,854,276)
Special	1,709,472	418,693	334,161	-	(956,618)
Vocational	134,998	-	-	-	(134,998)
Other	601,802	-	-	-	(601,802)
Support services:					
Pupil	614,320	-	4,874	-	(609,446)
Instructional staff	447,682	6,620	11,313	-	(429,749)
Board of education	45,961	-	-	-	(45,961)
Administration	1,550,010	-	348	-	(1,549,662)
Fiscal	349,356	-	3,262	179	(345,915)
Operations and maintenance	2,029,021	-	40,741	-	(1,988,280)
Pupil transportation	781,261	-	-	-	(781,261)
Central	11,277	-	6,265	-	(5,012)
Operation of non-instructional services	294	-	-	-	(294)
Extracurricular activities	438,770	114,822	-	-	(323,948)
Food service operations	374,337	307,930	101,687	-	35,280
Interest and fiscal charges	48,913	-	-	-	(48,913)
Totals	\$ 15,460,934	\$ 1,031,421	\$ 762,988	\$ 25,670	(13,640,855)

General Revenues:

Property taxes levied for:	
General fund	3,071,235
Special revenue	1,819,867
Debt service	26,934
Capital projects	69,648
Grants and entitlements not restricted to specific programs	
Investment earnings	18,902
Miscellaneous	105,267
Total general revenues	12,230,163
Change in net assets	(1,410,692)
Net assets at beginning of year	4,224,322
Net assets at end of year	\$ 2,813,630

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,238,001	\$ 51,066	\$ 103,761	\$ 1,392,828
Receivables:				
Taxes	3,817,246	2,263,497	118,937	6,199,680
Accounts	27,450	-	855	28,305
Interfund loans	16,677	-	-	16,677
Due from other governments	24	-	52,378	52,402
Prepayments	43,786	-	-	43,786
Materials and supplies inventory	5,367	-	19,308	24,675
Total assets	<u>\$ 5,148,551</u>	<u>\$ 2,314,563</u>	<u>\$ 295,239</u>	<u>\$ 7,758,353</u>
Liabilities:				
Accounts payable	\$ 39,611	\$ 13,295	\$ 58	\$ 52,964
Accrued wages and benefits	921,105	345,192	25,851	1,292,148
Pension obligation payable	148,674	45,360	3,734	197,768
Interfund loans payable	-	-	16,677	16,677
Due to other governments	66,883	19,265	4,085	90,233
Deferred revenue	3,806,268	2,256,945	161,049	6,224,262
Total liabilities	<u>4,982,541</u>	<u>2,680,057</u>	<u>211,454</u>	<u>7,874,052</u>
Fund Balances:				
Reserved for encumbrances	162,678	10,512	17,911	191,101
Reserved for materials and supplies inventory	5,367	-	19,308	24,675
Reserved for property tax unavailable for appropriation	10,978	6,552	343	17,873
Reserved for prepayments	43,786	-	-	43,786
Unreserved, undesignated (deficit), reported in:				
General fund	(56,799)	-	-	(56,799)
Special revenue funds	-	(382,558)	54,987	(327,571)
Capital projects funds	-	-	(8,764)	(8,764)
Total fund balances	<u>166,010</u>	<u>(365,494)</u>	<u>83,785</u>	<u>(115,699)</u>
Total liabilities and fund balances	<u>\$ 5,148,551</u>	<u>\$ 2,314,563</u>	<u>\$ 295,239</u>	<u>\$ 7,758,353</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	(115,699)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,228,467
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	1,129,255	
Intergovernmental revenue		42,455	
Total			1,171,710
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Asbestos notes		(228,908)	
Compensated absences		(1,084,308)	
Pension obligation payable		(114,488)	
Capital lease obligation		(1,015,019)	
Accrued interest payable		(28,125)	
Total			(2,470,848)
Net assets of governmental activities		\$	2,813,630

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, 2004

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 3,073,084	\$ 1,815,119	\$ 96,830	\$ 4,985,033
Tuition.	436,468	-	-	436,468
Transportation fees	-	-	3,379	3,379
Charges for services.	-	-	307,930	307,930
Earnings on investments.	18,455	-	447	18,902
Extracurricular.	-	-	109,144	109,144
Classroom materials and fees	-	-	37,640	37,640
Other local revenues	184,165	-	57,962	242,127
Intergovernmental - state	7,118,310	225,741	107,898	7,451,949
Intergovernmental - federal.	-	-	762,564	762,564
Total revenues.	<u>10,830,482</u>	<u>2,040,860</u>	<u>1,483,794</u>	<u>14,355,136</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,266,294	1,662,077	177,400	6,105,771
Special.	1,376,989	-	349,111	1,726,100
Vocational.	133,729	-	-	133,729
Other	601,802	-	-	601,802
Support Services:				
Pupil.	650,498	-	4,874	655,372
Instructional staff	401,743	-	18,757	420,500
Board of education	45,961	-	-	45,961
Administration.	1,485,945	-	330	1,486,275
Fiscal	310,241	29,836	1,600	341,677
Operations and maintenance.	1,051,608	372,595	87,068	1,511,271
Pupil transportation	745,516	-	-	745,516
Central.	4,995	-	6,282	11,277
Operation of non-instructional services	-	-	9,291	9,291
Food service operations	-	-	388,337	388,337
Extracurricular activities.	280,234	-	143,755	423,989
Facilities acquisition and construction	-	-	474,873	474,873
Debt service:				
Principal retirement	35,253	-	26,934	62,187
Interest and fiscal charges	49,889	-	-	49,889
Total expenditures	<u>11,440,697</u>	<u>2,064,508</u>	<u>1,688,612</u>	<u>15,193,817</u>
Excess of revenues over (under) expenditures	<u>(610,215)</u>	<u>(23,648)</u>	<u>(204,818)</u>	<u>(838,681)</u>
Other financing sources (uses):				
Transfers in.	-	-	34,940	34,940
Transfers (out)	(34,940)	-	-	(34,940)
Proceeds from sale of capital assets	528	-	-	528
Total other financing sources (uses)	<u>(34,412)</u>	<u>-</u>	<u>34,940</u>	<u>528</u>
Net change in fund balances	(644,627)	(23,648)	(169,878)	(838,153)
Fund balances (deficit) at beginning of year .	809,619	(341,846)	249,115	716,888
Increase in reserve for inventory .	1,018	-	4,548	5,566
Fund balances (deficit) at end of year	\$ 166,010	\$ (365,494)	\$ 83,785	\$ (115,699)

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, 2004

Net change in fund balances - total governmental funds	\$	(838,153)
<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. This is the amount by which depreciation expense (\$429,830) exceeds capital outlay (\$183,892) in the current period.		(245,938)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(6,657)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		5,566
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(304,894)
Repayment of notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		62,187
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		976
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(83,779)
Change in net assets of governmental activities	\$	<u>(1,410,692)</u>

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,092,492	\$ 3,086,027	\$ 3,073,438	\$ (12,589)
Tuition.	416,374	415,504	413,809	(1,695)
Earnings on investments.	31,330	31,265	31,137	(128)
Other local revenues.	89,425	89,238	88,874	(364)
Intergovernmental - state	8,350,569	8,333,112	8,299,118	(33,994)
Total revenues.	<u>11,980,190</u>	<u>11,955,146</u>	<u>11,906,376</u>	<u>(48,770)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,298,795	4,447,988	4,420,769	27,219
Special.	1,341,282	1,387,832	1,382,613	5,219
Vocational.	142,762	147,717	147,161	556
Other	614,358	635,680	633,289	2,391
Support Services:				
Pupil.	631,910	653,841	651,382	2,459
Instructional staff	391,077	404,650	403,128	1,522
Board of education	49,514	51,233	51,040	193
Administration.	1,541,158	1,594,645	1,588,648	5,997
Fiscal	316,081	327,051	325,821	1,230
Operations and maintenance.	1,024,443	1,059,997	1,056,011	3,986
Pupil transportation	747,822	773,776	770,866	2,910
Central.	3,507	3,629	3,615	14
Extracurricular activities.	1,452,915	1,503,340	1,497,686	5,654
Total expenditures	<u>12,555,624</u>	<u>12,991,379</u>	<u>12,932,029</u>	<u>59,350</u>
Excess of revenues under expenditures.	<u>(575,434)</u>	<u>(1,036,233)</u>	<u>(1,025,653)</u>	<u>10,580</u>
Other financing sources (uses):				
Refund of prior year expenditures.	68,412	68,268	67,990	(278)
Transfers in	2,721	2,716	2,704	(12)
Transfers (out)	(36,253)	(37,511)	(37,370)	141
Advances (out)	(16,178)	(16,740)	(16,677)	63
Proceeds from sale of capital assets.	531	530	528	(2)
Total other financing sources (uses)	<u>19,233</u>	<u>17,263</u>	<u>17,175</u>	<u>(88)</u>
Net change in fund balance	(556,201)	(1,018,970)	(1,008,478)	10,492
Fund balance at beginning of year	1,716,669	1,716,669	1,716,669	-
Prior year encumbrances appropriated	327,521	327,521	327,521	-
Fund balance at end of year	<u>\$ 1,487,989</u>	<u>\$ 1,025,220</u>	<u>\$ 1,035,712</u>	<u>\$ 10,492</u>

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)
EMERGENCY LEVY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 1,825,196	\$ 1,815,233	\$ 1,815,233	\$ -
Intergovernmental - state	225,741	225,741	225,741	-
Total revenues	<u>2,050,937</u>	<u>2,040,974</u>	<u>2,040,974</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,652,799	1,622,891	1,622,891	-
Support Services:				
Fiscal	30,748	30,192	30,192	-
Operations and maintenance	373,420	366,663	366,663	-
Total expenditures	<u>2,056,967</u>	<u>2,019,746</u>	<u>2,019,746</u>	<u>-</u>
Net change in fund balance	(6,030)	21,228	21,228	-
Fund balance at beginning of year	2	2	2	-
Prior year encumbrances appropriated	6,029	6,029	6,029	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 27,259</u>	<u>\$ 27,259</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 45,554
	45,554
Total assets	\$ 45,554
	45,554
Liabilities:	
Accounts payable	\$ 3,850
Due to students	41,704
	45,554
Total liabilities	\$ 45,554
	45,554

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, 2004

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 a locally-elected Board form of government 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 the 328th largest in the State of Ohio (out of approximately 613 public school districts) in terms of enrollment. It is staffed by 77 non-certificated employees and 126 certificated full-time teaching personnel who provide services to 1,720 students and other community members. The District currently operates 3 instructional buildings, 1 athletic building, and 1 garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District'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". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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 organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has one component unit, the Champion School Building Corporation. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

BLENDED COMPONENT UNIT

Champion School Building Corporation

The Champion School Building Corporation is considered a component unit of the District by virtue of meeting the criteria noted above. 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.

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

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 districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$25,770 to NEOMIN for fiscal 2004.

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 districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2004. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

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 fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial information can be obtained by contacting the Treasurer at 528 Educational Highway, Warren, Ohio 44483.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

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

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

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

GOVERNMENTAL FUNDS

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

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

Emergency Levy Fund - The Emergency Levy special revenue fund is used to account for the accumulation of tax revenue generated by an emergency tax levy and the use of those funds.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for the accumulation of resources for and repayment of, general long-term debt principal, interest and related costs; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District 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 funds account for student activities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the 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, 2004

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2004, investments included the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasury Bonds and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

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

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

The District has invested funds in STAR Ohio during fiscal 2004. 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, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the permanent improvement capital projects fund, the district managed student activities special revenue fund and the food service special revenue fund. The food service special revenue fund receives interest earnings based upon federal mandate. Interest revenue credited to the general fund during fiscal 2004 amounted to \$18,455, which includes \$1,971 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 Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve 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.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District has established the 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.

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

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	15 - 30 years
Land improvements	15 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 15 years of current service with the District, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property tax revenue unavailable for appropriation and prepayments. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Prepayments

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

N. Net Assets

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

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

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

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

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

	<u>Deficit</u>
<u>Major Governmental Fund</u>	
Emergency Levy	\$ 365,494
<u>Nonmajor Governmental Funds</u>	
Title VI-B	423
Title II-A	7,280
Emergency Management Information Systems	68
Title I	14,908

Both the major and nonmajor governmental funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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

Cash on hand: At fiscal year-end, the District had \$100 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."

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

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$952,262 and the bank balance was 1,077,783. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$877,783 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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

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

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

	Category 3	Reported Amount	Fair Value
Repurchase agreements	\$ 448,853	\$ 448,853	\$ 448,853
Investment in STAR Ohio		37,167	37,167
Total investments		\$ 486,020	\$ 486,020

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 1,438,382	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(37,167)	37,167
Repurchase agreement	(448,853)	448,853
Cash on hand	(100)	-
GASB Statement No. 3	\$ 952,262	\$ 486,020

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor Governmental Funds	\$ 16,677

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

	Amount
Transfers to Nonmajor Governmental funds from:	
General fund	\$ 34,940

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

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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 for reporting 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.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

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

The District receives property taxes from 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2004 was \$10,978 in the general fund, \$85 in the debt service fund, \$258 in the permanent improvement fund and \$6,552 in the emergency levy fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$11,332 in the general fund, \$88 in the debt service fund, \$270 in the permanent improvement fund, and \$6,668 in the emergency levy fund.

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

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

	<u>2003 Second Half Collections</u>		<u>2004 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 144,605,550	88.84%	\$ 145,953,680	90.09%
Public utility personal	4,003,060	2.46%	4,021,750	2.48%
Tangible personal property	<u>14,164,153</u>	<u>8.70%</u>	<u>12,032,076</u>	<u>7.43%</u>
Total	<u>\$ 162,772,763</u>	<u>100.00%</u>	<u>\$ 162,007,506</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 43.70		\$ 43.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Property taxes	\$ 6,199,680
Accounts	28,305
Intergovernmental	<u>52,402</u>
Total	<u>\$ 6,280,387</u>

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

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

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

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/03</u>	Additions	Deductions	Balance <u>06/30/04</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 38,950	\$ -	\$ -	\$ 38,950
Total capital assets, not being depreciated	<u>38,950</u>	<u>-</u>	<u>-</u>	<u>38,950</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	46,936	-	-	46,936
Buildings and improvements	7,097,799	29,279	-	7,127,078
Furniture and equipment	3,010,678	101,304	(20,266)	3,091,716
Vehicles	<u>1,006,074</u>	<u>53,309</u>	<u>-</u>	<u>1,059,383</u>
Total capital assets, being depreciated	<u>11,161,487</u>	<u>183,892</u>	<u>(20,266)</u>	<u>11,325,113</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,956)	(22,416)	-	(24,372)
Buildings and improvements	(4,513,707)	(161,688)	-	(4,675,395)
Furniture and equipment	(1,698,861)	(162,927)	13,609	(1,848,179)
Vehicles	<u>(504,851)</u>	<u>(82,799)</u>	<u>-</u>	<u>(587,650)</u>
Total accumulated depreciation	<u>(6,719,375)</u>	<u>(429,830)</u>	<u>13,609</u>	<u>(7,135,596)</u>
Governmental activities capital assets, net	<u>\$ 4,481,062</u>	<u>\$ (245,938)</u>	<u>\$ (6,657)</u>	<u>\$ 4,228,467</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 254,624
Special	1,711
Vocational	2,853

Support Services:

Pupil	1,260
Instructional staff	27,776
Administration	9,021
Fiscal	1,580
Operations and maintenance	10,967
Pupil transportation	83,898
Operation of non-instructional	294
Extracurricular activities	34,852
Food service operations	<u>994</u>

Total depreciation expense \$ 429,830

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

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

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2002, the District entered into a lease contract with the Champion School Building Corporation to provide new athletic facilities including stadium bleachers, field house, 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 will be repaid in equal installments over a 20 year period, beginning December 1, 2002. Lease payments will be funded by the general fund.

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 payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$35,253 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, 2004:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2005	\$ 85,142
2006	85,142
2007	85,141
2008	85,142
2009	85,142
2010 - 2014	425,708
2015 - 2019	425,707
2020 - 2022	<u>255,470</u>
Total minimum lease payments	1,532,594
Less amount representing interest	<u>(517,575)</u>
Total	<u>\$ 1,015,019</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
EPA asbestos notes	\$ 255,842	\$ -	\$ (26,934)	\$ 228,908	\$ 26,930
Capital lease obligation	1,050,272	-	(35,253)	1,015,019	36,928
Compensated absences	<u>1,079,997</u>	<u>21,503</u>	<u>(17,192)</u>	<u>1,084,308</u>	<u>204,088</u>
Total governmental activities	<u>\$ 2,386,111</u>	<u>\$ 21,503</u>	<u>\$ (79,379)</u>	<u>\$ 2,328,235</u>	<u>\$ 267,946</u>

- B. EPA Asbestos Notes - In May 1995, the District issued \$484,746 in asbestos notes through the U.S. Federal Government. The notes will be retired from the debt service fund. The notes are interest free.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

Capital Lease Obligation: The District issued a capital lease for the construction of an athletic complex in fiscal year 2002. See Note 9 for details.

The following is a summary of the future debt service requirements to maturity for the asbestos notes:

<u>Fiscal Year Ending</u>	<u>Payment</u>
2005	\$ 26,930
2006	26,931
2007	26,930
2008	26,931
2009	26,930
2010 - 2013	<u>94,256</u>
Total	<u>\$ 228,908</u>

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.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$14,580,761, (including available funds of \$85) and an unvoted debt margin of \$162,008.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified eleven or twelve month employees earn 10 to 20 days of vacation per year, depending upon length of service. Vacation time is not accumulated and must be used by April 30 of each fiscal year.

Each employee is entitled to fifteen (15) days sick leave with pay each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract.

Only administrative or school support personnel accumulate vacation 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 and Treasurer each receive 25 days of vacation leave, annually.

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all certified employees and up to 250 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit, to a maximum of 55 days for both classified and certificated 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 2004, the District contracted with the Utica Insurance Company for property insurance with a \$1,000 deductible. Professional liability is protected by the Nationwide Mutual Insurance Company with a \$1,000,000 per occurrence and \$5,000,000 aggregate limit.

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

Vehicles are covered by the Nationwide Mutual Insurance Company and hold \$100 and \$1,000 deductibles for comprehensive and collision. Automobile liability has a \$300,000 combined single 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.

The District also provides a supplemental health insurance policy through Lawrence E. Smith and Associates, Inc. for its students in grades 6th through 12th for athletic accidents. The premium is paid per student enrolled in grades 6th through 12th on the October Average Daily Membership. The policy is effective from August 1 until the last day of school attendance.

B. Workers' Compensation Group Rating Program

For fiscal year 2004, the District participated in the Ohio School Boards Association 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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 District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$50,000 for all certified and administrative staff and their support staff and \$40,000 for all union and non-union full time classified staff. The Superintendent is covered by a \$150,000 policy and the Treasurer is covered by \$100,000 policy. The provider contracted through the Consortium is Medical Life Insurance Company. The premium is \$1.40 per \$10,000 of coverage.

The provider contracted through the Consortium for medical/surgical benefits is Medical Mutual. The District pays monthly premiums for traditional benefits of \$980.81 for family coverage or \$472.32 for individual coverage. Preferred Provider benefit premiums are \$757.36 for family coverage or \$374.50 for individual coverage per month. Health Maintenance Plan benefit premiums are \$987.83 for family coverage and \$434.09 for individual coverage per month. Prescription benefits are also provided by Medical Mutual, and the premiums for this coverage are \$133.67 monthly on a composite basis.

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

Dental insurance is provided through Oasis Trust. A third party administrator, Coresource, located in Columbus, Ohio, reviews and pays claims for the Consortium. Premiums for dental coverage are \$64.22 monthly on a composite basis. This dental coverage is available only to certified, administrative and non-union full time classified staff.

Union classified staff has dental coverage and hearing aid coverage also provided by Coresource with a composite rate of \$37.83.

Vision coverage is extended to its employees through Vision Care. The premium is \$12.36 per month, per employee. The premium is paid by the fund that pays the salary of the employee. This benefit is provided for outside of the Consortium.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$219,889, \$213,934, and \$248,016, respectively; 43.51% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$124,212 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

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

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

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$911,778, \$889,378, and \$897,384, respectively; 82.85% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$156,364 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$617 made by the District and \$9,115 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$65,127 during fiscal 2004.

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

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$108,798 during the 2004 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>	<u>Emergency Levy Fund</u>
Budget basis	\$ (1,008,478)	\$ 21,228
Net adjustment for revenue accruals	(1,075,894)	(114)
Net adjustment for expenditure accruals	1,289,043	(68,569)
Net adjustment for other sources/(uses)	(51,587)	-
Year-end encumbrances	<u>202,289</u>	<u>23,807</u>
GAAP basis	<u>\$ (644,627)</u>	<u>\$ (23,648)</u>

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. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

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

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

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

NOTE 17 - STATUTORY RESERVES

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (175,516)	\$ -
Current year set-aside requirement	243,357	243,357
Qualifying disbursements	<u>(276,350)</u>	<u>(375,556)</u>
Total	<u>\$ (208,509)</u>	<u>\$ (132,199)</u>
Cash balance carried forward to FY 2005	<u>\$ (208,509)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the textbooks set-aside amounts below zero. This excess amount may be used to reduce the set-aside requirements of future years.

Although the District had qualifying disbursements which reduced the capital acquisition amounts below zero, the excess amount may not be carried forward to future years.

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**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> <u>Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disburse- ments</u>	<u>Non-Cash Disburse- ments</u>
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	-	\$37,385	-	\$37,385
National School Lunch Program		10.555	<u>91,496</u>	<u>-</u>	<u>91,496</u>	<u>-</u>
Total Department of Agriculture - Nutrition Cluster			<u>91,496</u>	<u>37,385</u>	<u>91,496</u>	<u>37,385</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title I Grants to Local Educational Agencies	C1-S1-03	84.010	4,858	-	4,858	-
Title I Grants to Local Educational Agencies	C1-S1-04	84.010	<u>112,735</u>	<u>-</u>	<u>118,222</u>	<u>-</u>
Total			117,593	-	123,080	-
Special Education Grants to States	6B-SF-04P	84.027	178,202	-	178,202	-
Safe and Drug Free Schools and Communities	DR-S1-04	84.186	4,874	-	4,874	-
State Grants for Innovative Programs	C2-S1-04	84.298	6,615	-	6,763	-
Education Technology State Grants	TJ-S1-04	84.318	3,235	-	3,235	-
Improving Teacher Quality State Grants	TR-S1-04	84.367	32,525	-	32,525	-
<i>Passed Through Ohio School Facilities Commission</i>						
Federal Emergency Repair		84.352 A	<u>317,433</u>	<u>-</u>	<u>467,433</u>	<u>-</u>
Total Department of Education			660,477	0	816,112	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of MRDD</i>						
Medical Assistance Program		93.778	<u>14,602</u>	<u>-</u>	<u>14,602</u>	<u>-</u>
Totals			<u>\$766,575</u>	<u>\$37,385</u>	<u>\$922,210</u>	<u>\$37,385</u>

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

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



**Auditor of State
Betty Montgomery**

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

Champion Local School District
Trumbull County
5759 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

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

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Champion Local School District
Trumbull County
Independent Accountants' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

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

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

Betty Montgomery
Auditor of State

July 22, 2005



Auditor of State Betty Montgomery

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

Champion Local School District
Trumbull County
5759 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

Compliance

We have audited the compliance of Champion Local School District, Trumbull County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

Champion Local School District
Trumbull County

Independent Accountants' Report on Compliance With Requirements Applicable to its
Major Federal Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133

Page 2

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

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



Betty Montgomery
Auditor of State

July 22, 2005

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Emergency Repair Grant – CFDA #84.352A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE



**Auditor of State
Betty Montgomery**

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**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
AUGUST 23, 2005**