



Dave Yost • Auditor of State



**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Champion Local School District  
Trumbull County  
5759 Mahoning Avenue, N.W.  
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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

November 19, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The management's 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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$162,507 which represents a 71.02% decrease from 2011.
- General revenues accounted for \$11,758,096 in revenue or 83.82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,269,271 or 16.18% of total revenues of \$14,027,367.
- The District had \$14,189,874 in expenses related to governmental activities; only \$2,269,271 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,758,096 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$12,679,149 in revenues and \$12,403,234 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund deficit decreased \$277,568 from a deficit of \$690,060 to a deficit of \$412,492.

**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 is by far the most significant fund, and the only governmental fund reported as a major fund.

**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 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

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 fund is the general fund.

***Governmental Funds***

All 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 on the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***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 statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-49 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 at June 30, 2012 and June 30, 2011.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 7,307,785	\$ 8,576,672
Capital assets, net	<u>1,999,410</u>	<u>2,163,545</u>
Total assets	<u>9,307,195</u>	<u>10,740,217</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,268,582	7,201,785
Long-term liabilities	<u>2,972,302</u>	<u>3,309,614</u>
Total liabilities	<u>9,240,884</u>	<u>10,511,399</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	1,183,942	1,206,755
Restricted	482,838	964,096
Unrestricted (deficit)	<u>(1,600,469)</u>	<u>(1,942,033)</u>
Total net assets	<u>\$ 66,311</u>	<u>\$ 228,818</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$66,311.

At fiscal year-end, capital assets represented 21.48% 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, 2012, were \$1,183,942. 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.

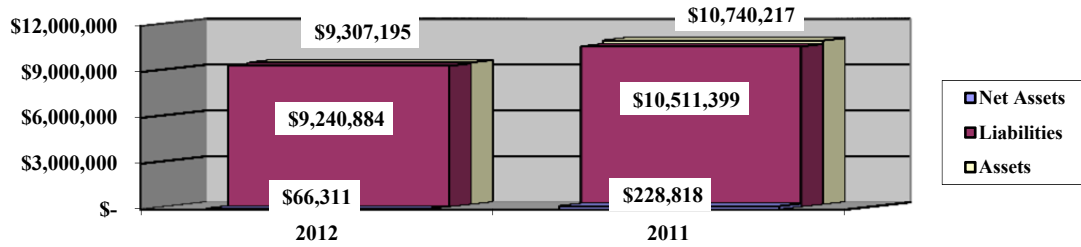
A portion of the District's net assets, \$482,838, represents resources that are subject to external restriction on how they may be used.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The graph below presents the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,149,292	\$ 1,257,359
Operating grants and contributions	1,119,901	2,168,969
Capital grants and contributions	78	608
General revenues:		
Property taxes	4,745,743	4,685,703
Grants and entitlements	6,959,770	7,154,187
Investment earnings	2,869	4,341
Other	<u>49,714</u>	<u>62,935</u>
Total revenues	<u>14,027,367</u>	<u>15,334,102</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<b>Change in Net Assets (Continued)</b>	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,535,945	\$ 6,479,985
Special	1,530,642	1,690,800
Vocational	105,257	185,070
Other	462,189	458,738
Support services:		
Pupil	586,095	616,565
Instructional staff	1,031,244	363,695
Board of education	30,686	36,754
Administration	1,116,067	1,719,919
Fiscal	384,908	376,048
Operations and maintenance	1,540,501	1,553,603
Pupil transportation	784,225	837,838
Central	3,921	11,159
Operations of non-instructional services:		
Food service operations	451,761	457,196
Other non-instructional	19,477	13,637
Extracurricular activities	523,350	523,908
Interest and fiscal charges	<u>83,606</u>	<u>105,468</u>
Total expenses	<u>14,189,874</u>	<u>15,430,383</u>
Change in net assets	(162,507)	(96,281)
Net assets at beginning of year	<u>228,818</u>	<u>325,099</u>
Net assets at end of year	<u>\$ 66,311</u>	<u>\$ 228,818</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$162,507. Total governmental expenses of \$14,189,874 were offset by program revenues of \$2,269,271 and general revenues of \$11,758,096. Program revenues supported 15.99% of the total governmental expenses. There was a significant decrease in operating grants and contributions due to a decrease in American Recovery and Reinvestment Act (ARRA) funding.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 83.45% of total governmental revenue. Real estate property is reappraised every six years.

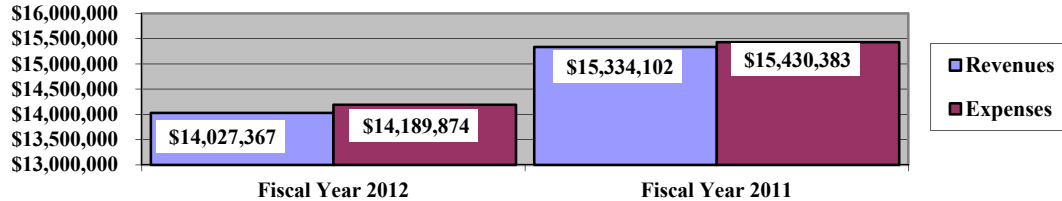
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,634,033 or 53.80% of total governmental expenses for fiscal year 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,535,945	\$ 4,695,994	\$ 6,479,985	\$ 5,177,783
Special	1,530,642	835,545	1,690,800	677,123
Vocational	105,257	79,317	185,070	159,130
Other	462,189	462,189	458,738	441,164
Support services:				
Pupil	586,095	576,658	616,565	616,565
Instructional staff	1,031,244	888,423	363,695	361,622
Board of education	30,686	30,686	36,754	36,754
Administration	1,116,067	1,116,067	1,719,919	1,617,519
Fiscal	384,908	384,908	376,048	376,048
Operations and maintenance	1,540,501	1,535,947	1,553,603	1,170,737
Pupil transportation	784,225	784,225	837,838	826,608
Central	3,921	3,921	11,159	6,159
Operations of non-instructional services:				
Food service operations	451,761	(2,453)	457,196	3,013
Other non-instructional	19,477	19,477	13,637	13,637
Extracurricular activities	523,350	426,093	523,908	414,117
Interest and fiscal charges	83,606	83,606	105,468	105,468
<b>Total expenses</b>	<u>\$ 14,189,874</u>	<u>\$ 11,920,603</u>	<u>\$ 15,430,383</u>	<u>\$ 12,003,447</u>

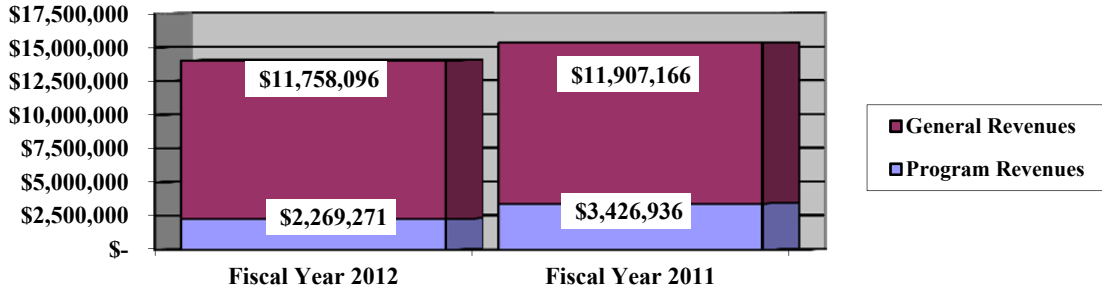
The dependence upon tax and other general revenues for governmental activities is apparent, 79.55% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.01%. The District's taxpayers and unrestricted grants and entitlements received from the State 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, 2012  
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal years 2012 and 2011.

**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 deficit balance of \$338,131, which is lower than last year's deficit of \$476,468. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance (Deficit) <u>June 30, 2012</u>	Fund Balance (Deficit) <u>June 30, 2011</u>	Increase (Decrease)	Percentage <u>Change</u>
General	\$ (412,492)	\$ (690,060)	\$ 277,568	40.22 %
Other governmental	<u>74,361</u>	<u>213,592</u>	<u>(139,231)</u>	(65.19) %
Total	<u>\$ (338,131)</u>	<u>\$ (476,468)</u>	<u>\$ 138,337</u>	29.03 %

**General Fund**

The District's general fund's fund deficit decreased \$277,568.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2012</u>	<u>2011</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,480,063	\$ 4,603,250	(2.68) %
Tuition	698,692	794,980	(12.11) %
Earnings on investments	2,869	4,341	(33.91) %
Intergovernmental	7,347,048	7,503,514	(2.09) %
Other revenues	<u>150,477</u>	<u>167,014</u>	(9.90) %
Total	<u>\$ 12,679,149</u>	<u>\$ 13,073,099</u>	(3.01) %
<b><u>Expenditures</u></b>			
Instruction	\$ 7,155,136	\$ 7,371,899	(2.94) %
Support services	4,736,822	4,892,559	(3.18) %
Extracurricular activities	296,249	284,481	4.14 %
Facilities acquisition and construction	640	-	(100.00) %
Debt service	<u>158,670</u>	<u>158,670</u>	- %
Total	<u>\$ 12,347,517</u>	<u>\$ 12,707,609</u>	(2.83) %

Revenues of the general fund decreased \$393,950 or 3.01%. The most significant decrease was in the area of intergovernmental revenue. Intergovernmental revenue decreased \$156,466. This decrease is primarily the result of a decrease in State foundation revenues recorded in the general fund. The Ohio Department of Education removed a portion of state foundation payment and supplanted it with federal monies in the form of State Fiscal Stabilization Funds.

Expenditures of the general fund decreased \$360,092 or 2.83%. The most significant decrease was in the area of instruction, which decreased \$216,763 or 2.94%, due to cost saving measures instituted throughout the District.

***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 the fiscal year 2012, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$10,683,050 which was less than original budgeted revenues and other financing sources of \$11,107,951. Actual revenues and other financing sources for the fiscal year 2012 was \$10,683,050.

General fund original appropriations (appropriated expenditures and other financing uses) of \$10,653,826 were increased to \$10,834,880 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 were \$10,834,880, which was the same as final budgeted expenditures and other financing sources.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$1,999,410 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 June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 38,950	\$ 38,950
Land improvements	36,989	39,163
Building and improvements	1,346,718	1,431,498
Furniture and equipment	299,601	395,562
Vehicles	277,152	258,372
Total	\$ 1,999,410	\$ 2,163,545

Total additions to capital assets for 2012 were \$149,173. Depreciation expense for fiscal year 2012 was \$313,308. Overall, capital assets of the District decreased \$164,135.

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

***Debt Administration***

At June 30, 2012, the District had \$2,305,468 in asbestos notes, bonds and lease obligations outstanding. Of this total, \$228,529 is due within one year and \$2,076,939 is due within greater than one year. The following table summarizes the notes, bonds and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2012	2011
EPA asbestos notes	\$ 13,466	\$ 40,396
Qualified school construction bonds	1,490,000	1,586,500
Capital leases	802,002	916,394
Total	\$ 2,305,468	\$ 2,543,290

At June 30, 2012, the District's overall legal debt margin was \$13,882,461 with an unvoted debt margin of \$170,805.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

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

**Current Financial Related Activities**

The District is often presented with challenges and opportunities. National, State and local events often 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 continue a quality, comprehensive educational program without the need of additional tax levies since the 1994 tax year.

The Board's most recent five-year projections indicate that the District may eventually require additional levy millage.

The District has committed itself to educational and financial excellence for many years. The District's most recent State Report Card shows the District achieving an excellent score. This is also the tenth year this has been accomplished. The District has continually scored well on the State Report Card since its inception. The budgeting and internal controls utilized by the District are well regarded as exemplified by the unqualified audit opinions that have been received. Each challenge identified 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 criteria.

Several significant legislative and judicial actions have occurred that may have a major impact on the 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. The State did not have the ability to fully fund the previously approved subsidies for primary and secondary education in the State budget. The biennial budgets approved by the State for fiscal years 2012 and 2013 did not prove helpful to the funding situation for the District. 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 citizens, taxpayers, 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.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,083,784
Receivables:	
Taxes . . . . .	6,044,907
Intergovernmental . . . . .	122,386
Accrued interest . . . . .	295
Prepayments . . . . .	40,109
Materials and supplies inventory. . . . .	16,304
Capital assets:	
Land. . . . .	38,950
Depreciable capital assets, net. . . . .	1,960,460
Total capital assets . . . . .	1,999,410
 Total assets. . . . .	 9,307,195
 <b>Liabilities:</b>	
Accounts payable. . . . .	20,103
Contracts payable. . . . .	1,000
Accrued wages and benefits . . . . .	1,206,411
Pension obligation payable. . . . .	274,957
Intergovernmental payable . . . . .	53,407
Unearned revenue . . . . .	4,668,662
Accrued interest payable . . . . .	44,042
Long-term liabilities:	
Due within one year. . . . .	341,682
Due in more than one year. . . . .	2,630,620
 Total liabilities . . . . .	 9,240,884
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,183,942
Restricted for:	
Capital projects . . . . .	112,345
State funded programs. . . . .	8
Federally funded programs . . . . .	4,875
Student activities . . . . .	21,334
Other purposes . . . . .	344,276
Unrestricted (deficit) . . . . .	(1,600,469)
 Total net assets . . . . .	 \$ 66,311

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, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,535,945	\$ 799,455	\$ 40,496	\$ -	\$ (4,695,994)
Special . . . . .	1,530,642	-	695,097	-	(835,545)
Vocational . . . . .	105,257	-	25,940	-	(79,317)
Other . . . . .	462,189	-	-	-	(462,189)
Support services:					
Pupil. . . . .	586,095	-	9,437	-	(576,658)
Instructional staff . . . . .	1,031,244	-	142,821	-	(888,423)
Board of education . . . . .	30,686	-	-	-	(30,686)
Administration. . . . .	1,116,067	-	-	-	(1,116,067)
Fiscal. . . . .	384,908	-	-	-	(384,908)
Operations and maintenance . . . . .	1,540,501	-	4,476	78	(1,535,947)
Pupil transportation. . . . .	784,225	-	-	-	(784,225)
Central . . . . .	3,921	-	-	-	(3,921)
Operation of non-instructional services:					
Other non-instructional services . . . . .	19,477	-	-	-	(19,477)
Food service operations . . . . .	451,761	253,744	200,470	-	2,453
Extracurricular activities. . . . .	523,350	96,093	1,164	-	(426,093)
Interest and fiscal charges . . . . .	83,606	-	-	-	(83,606)
<b>Totals . . . . .</b>	<b>\$ 14,189,874</b>	<b>\$ 1,149,292</b>	<b>\$ 1,119,901</b>	<b>\$ 78</b>	<b>(11,920,603)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	4,520,663
Debt service. . . . .	168,703
Capital outlay. . . . .	56,377
Grants and entitlements not restricted to specific programs . . . . .	6,959,770
Investment earnings . . . . .	2,869
Miscellaneous . . . . .	49,714
<b>Total general revenues . . . . .</b>	<b>11,758,096</b>
Change in net assets . . . . .	(162,507)
<b>Net assets at beginning of year. . . . .</b>	<b>228,818</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 66,311</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 951,068	\$ 132,716	\$ 1,083,784
Receivables:			
Taxes. . . . .	5,972,783	72,124	6,044,907
Accrued interest . . . . .	288	7	295
Intergovernmental . . . . .	4,468	117,918	122,386
Prepayments. . . . .	40,109	-	40,109
Materials and supplies inventory . . . . .	9,306	6,998	16,304
 Total assets . . . . .	 \$ 6,978,022	 \$ 329,763	 \$ 7,307,785
 <b>Liabilities:</b>			
Accounts payable . . . . .	\$ 18,775	\$ 1,328	\$ 20,103
Contracts payable. . . . .	-	1,000	1,000
Accrued wages and benefits . . . . .	1,055,716	150,695	1,206,411
Compensated absences payable. . . . .	57,483	-	57,483
Intergovernmental payable . . . . .	47,448	5,959	53,407
Unearned revenue. . . . .	4,612,958	55,704	4,668,662
Deferred revenue. . . . .	1,337,277	26,616	1,363,893
Pension obligation payable. . . . .	260,857	14,100	274,957
 Total liabilities. . . . .	 7,390,514	 255,402	 7,645,916
 <b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	9,306	6,998	16,304
Prepays . . . . .	40,109	-	40,109
Restricted:			
Capital improvements . . . . .	-	96,251	96,251
Other purposes. . . . .	-	129	129
Extracurricular. . . . .	-	21,334	21,334
Assigned:			
Student instruction . . . . .	40,757	-	40,757
Student and staff support. . . . .	78,673	-	78,673
Subsequent year appropriations . . . . .	19,863	-	19,863
Other purposes . . . . .	14,379	-	14,379
Unassigned (deficit). . . . .	(615,579)	(50,351)	(665,930)
 Total fund balances (deficit). . . . .	 (412,492)	 74,361	 (338,131)
 Total liabilities and fund balances. . . . .	 \$ 6,978,022	 \$ 329,763	 \$ 7,307,785

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, 2012

<b>Total governmental fund balances</b>		\$ (338,131)
<i>Amounts reported for governmental activities on 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.		1,999,410
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 1,348,903	
Intergovernmental receivable	<u>14,990</u>	
Total		1,363,893
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(44,042)
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	(13,466)	
Compensated absences	(609,351)	
Capital lease obligations	(802,002)	
Qualified school construction bonds	<u>(1,490,000)</u>	
Total		<u>(2,914,819)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 66,311</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,480,063	\$ 224,835	\$ 4,704,898
Tuition . . . . .	698,692	-	698,692
Transportation fees . . . . .	-	2,586	2,586
Earnings on investments . . . . .	2,869	80	2,949
Charges for services . . . . .	-	253,742	253,742
Extracurricular . . . . .	-	93,507	93,507
Classroom materials and fees . . . . .	28,580	-	28,580
Rental income . . . . .	45,118	-	45,118
Contributions and donations . . . . .	23,398	1,164	24,562
Contract services . . . . .	3,667	-	3,667
Other local revenues . . . . .	49,714	-	49,714
Intergovernmental - state . . . . .	7,347,048	42,952	7,390,000
Intergovernmental - federal . . . . .	-	1,061,320	1,061,320
Total revenues . . . . .	<u>12,679,149</u>	<u>1,680,186</u>	<u>14,359,335</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,378,358	39,124	5,417,482
Special . . . . .	1,192,679	327,152	1,519,831
Vocational . . . . .	121,910	-	121,910
Other . . . . .	462,189	-	462,189
Support services:			
Pupil . . . . .	200,764	363,353	564,117
Instructional staff . . . . .	897,184	143,193	1,040,377
Board of education . . . . .	30,686	-	30,686
Administration . . . . .	1,117,646	-	1,117,646
Fiscal . . . . .	375,360	1,703	377,063
Operations and maintenance . . . . .	1,304,934	206,038	1,510,972
Pupil transportation . . . . .	806,235	-	806,235
Central . . . . .	4,013	-	4,013
Operation of non-instructional services:			
Food service operations . . . . .	-	460,877	460,877
Extracurricular activities . . . . .	296,249	162,862	459,111
Facilities acquisition and construction . . . . .	640	4,250	4,890
Debt service:			
Principal retirement . . . . .	114,392	123,430	237,822
Interest and fiscal charges . . . . .	44,278	45,273	89,551
Total expenditures . . . . .	<u>12,347,517</u>	<u>1,877,255</u>	<u>14,224,772</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>331,632</u>	<u>(197,069)</u>	<u>134,563</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	55,717	55,717
Transfers (out) . . . . .	<u>(55,717)</u>	<u>-</u>	<u>(55,717)</u>
Total other financing sources (uses) . . . . .	<u>(55,717)</u>	<u>55,717</u>	<u>-</u>
Net change in fund balances . . . . .	275,915	(141,352)	134,563
<b>Fund balances (deficit)</b>			
at beginning of year . . . . .	(690,060)	213,592	(476,468)
Increase (decrease) in reserve for inventory . . . . .	1,653	2,121	3,774
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (412,492)</u>	<u>\$ 74,361</u>	<u>\$ (338,131)</u>

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, 2012

<b>Net change in fund balances - total governmental funds</b>		\$ 134,563
<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.		
Additions	\$ 149,173	
Depreciation expense	(313,308)	
Total		(164,135)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		
		3,774
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	40,845	
Intergovernmental revenue	(397,626)	
Total		(356,781)
Repayment of notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		237,822
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		
		5,945
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		<u>(23,695)</u>
<b>Change in net assets of governmental activities</b>		<u>\$ (162,507)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,064,265	\$ 2,893,565	\$ 2,893,565	\$ -
Tuition. . . . .	771,106	698,692	698,692	-
Earnings on investments . . . . .	4,444	3,279	3,279	-
Rental income . . . . .	46,410	45,118	45,118	-
Contributions and donations . . . . .	4,299	13,450	13,450	-
Contract services. . . . .	3,525	3,667	3,667	-
Intergovernmental - state . . . . .	7,156,738	6,933,730	6,933,730	-
Total revenues . . . . .	<u>11,050,787</u>	<u>10,591,501</u>	<u>10,591,501</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,438,644	3,961,386	3,961,386	-
Special. . . . .	1,078,584	1,193,241	1,193,241	-
Vocational. . . . .	101,815	138,316	138,316	-
Other. . . . .	465,780	462,189	462,189	-
Support services:				
Pupil. . . . .	563,219	296,437	296,437	-
Instructional staff . . . . .	344,635	904,788	904,788	-
Board of education . . . . .	37,480	30,937	30,937	-
Administration. . . . .	1,809,417	1,126,070	1,126,070	-
Fiscal . . . . .	360,357	361,011	361,011	-
Operations and maintenance. . . . .	1,045,958	977,854	977,854	-
Pupil transportation . . . . .	890,031	861,021	861,021	-
Central. . . . .	4,007	4,013	4,013	-
Extracurricular activities. . . . .	379,991	381,169	381,169	-
Facilities acquisition and construction . . . . .	73,653	74,168	74,168	-
Total expenditures . . . . .	<u>10,593,571</u>	<u>10,772,600</u>	<u>10,772,600</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>457,216</u>	<u>(181,099)</u>	<u>(181,099)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	57,164	91,549	91,549	-
Refund of prior year's receipts. . . . .	(2,000)	(160)	(160)	-
Transfers (out). . . . .	(58,255)	(62,120)	(62,120)	-
Total other financing sources (uses) . . . . .	<u>(3,091)</u>	<u>29,269</u>	<u>29,269</u>	<u>-</u>
Net change in fund balance . . . . .	454,125	(151,830)	(151,830)	-
<b>Fund balance at beginning of year . . . . .</b>	<b>755,080</b>	<b>755,080</b>	<b>755,080</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>162,565</b>	<b>162,565</b>	<b>162,565</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,371,770</u></b>	<b><u>\$ 765,815</u></b>	<b><u>\$ 765,815</u></b>	<b><u>\$ -</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 36,801
Total assets . . . . .	<u>\$ 36,801</u>
<b>Liabilities:</b>	
Due to students . . . . .	\$ 36,801
Total liabilities. . . . .	<u>\$ 36,801</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 347<sup>nd</sup> largest in the State of Ohio (out of approximately 918 public school districts and community schools in the State of Ohio) in terms of enrollment. It is staffed by 62 non-certified employees and 103 certified full-time teaching personnel who provide services to 1,546 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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

*BLENDED COMPONENT UNIT*

Champion School Building Corporation

The 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.

*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.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

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 15 participating school district's elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

*INSURANCE PURCHASING POOLS*

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) 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 OASBO. The Executive Director of the OASBO, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Trumbull County Schools Employee Insurance Benefit Consortium Association

The Trumbull County Schools Employee Insurance Benefit Consortium Association (the "Consortium") is a shared risk pool comprised of fifteen Trumbull County school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Trumbull County Educational Service Center. The fiscal agent will then remit the charges for services to Watson Wyatt Worldwide in Cleveland, Ohio, an agent of Medical Mutual, who acts in the capacity of a third-party administrator (TPA) for claims processing.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*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 fund accounts 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.

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.

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**D. Basis of Accounting**

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

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

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statements, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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, 2012. The budget figures, as shown in the accompanying budgetary statements, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2012, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. 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 shares price which is the price the investment could be sold for on June 30, 2012.

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, 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 year 2012 amounted to \$2,869, which includes \$338 assigned from other District funds.

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

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

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis 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 the amount reported in nonspendable fund balance classification 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 generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

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

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

Description	Governmental Activities <u>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 loans receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund balances at June 30, 2012.



**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 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 sick leave payments has been calculated using pay rates in effect at June 30, 2012, 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.

**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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Notes, bonds and capital leases are recognized as a liability on the fund financial statements when due.

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**L. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**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 nonspendable 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 amount restricted for other purposes represents amounts restricted by State statute for food service.

The District applies restricted resources first 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.

**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 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

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

<u>Major fund</u>	<u>Deficit</u>
General	\$ 412,492
<u>Nonmajor funds</u>	
Food service	7,965
Management information systems	264
Education jobs	2,752
IDEA Part-B	21,209
Title I - disadvantaged children	806
Improving teacher quality	10,357

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 resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year end, the District had \$609 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$954,443. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$875,526 of the District’s bank balance of \$1,125,526 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturities <u>6 months or less</u>
STAR Ohio	<u>\$ 165,533</u>	<u>\$ 165,533</u>

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

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 165,533</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 954,443
Investments	165,533
Cash on hand	<u>609</u>
Total	<u>\$ 1,120,585</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,083,784
Agency fund	<u>36,801</u>
Total	<u>\$1,120,585</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
General fund	<u>\$ 55,717</u>

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The 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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$27,017 in the general fund and \$326 in the bond retirement debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$18,224 in the general fund and \$224 in the bond retirement debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 171,952,720	98.45	\$ 167,982,220	98.35
Public utility personal	<u>2,701,570</u>	<u>1.55</u>	<u>2,822,900</u>	<u>1.65</u>
Total	<u>\$ 174,654,290</u>	<u>100.00</u>	<u>\$ 170,805,120</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$42.00		\$42.15	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 6,044,907
Intergovernmental	122,386
Accrued interest	<u>295</u>
Total	<u>\$ 6,167,588</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
<b>Governmental activities:</b>				
<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	69,711	-	-	69,711
Buildings and improvements	7,197,807	1,818	-	7,199,625
Furniture and equipment	3,080,847	72,423	(22,373)	3,130,897
Vehicles	<u>1,246,382</u>	<u>74,932</u>	<u>(37,100)</u>	<u>1,284,214</u>
Total capital assets, being depreciated	<u>11,594,747</u>	<u>149,173</u>	<u>(59,473)</u>	<u>11,684,447</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(30,548)	(2,174)	-	(32,722)
Buildings and improvements	(5,766,309)	(86,598)	-	(5,852,907)
Furniture and equipment	(2,685,285)	(168,384)	22,373	(2,831,296)
Vehicles	<u>(988,010)</u>	<u>(56,152)</u>	<u>37,100</u>	<u>(1,007,062)</u>
Total accumulated depreciation	<u>(9,470,152)</u>	<u>(313,308)</u>	<u>59,473</u>	<u>(9,723,987)</u>
Governmental activities capital assets, net	<u>\$ 2,163,545</u>	<u>\$ (164,135)</u>	<u>\$ -</u>	<u>\$ 1,999,410</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 142,740
Special	4,547
Vocational	4,787
<u>Support services:</u>	
Pupil	77
Instructional staff	606
Administration	6,451
Fiscal	694
Operations and maintenance	21,770
Pupil transportation	50,434
Extracurricular activities	74,809
Food service operations	<u>6,393</u>
Total depreciation expense	<u>\$ 313,308</u>

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

- A. 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. The lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

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. Accumulated depreciation as of June 30, 2012 was \$550,000, leaving a current book value of \$550,000. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2012 totaled \$51,102 and \$34,040, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 85,141
2014	85,142
2015	85,141
2016	85,141
2017	85,142
2018 - 2022	<u>425,754</u>
Total	851,461
Less: amount representing interest	<u>(185,936)</u>
Present value of minimum lease payments	<u>\$ 665,525</u>

- B. On October 29, 2004, the District entered into a \$575,000 lease-purchase agreement with the Champion School Building Corporation to finance roof construction and improvements throughout the District. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. These lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of building improvements have been capitalized in the amount of \$575,000. This amount represents the present value of the minimum lease payments at the time of acquisition.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Accumulated depreciation as of June 30, 2012 was \$230,000, leaving a current book value of \$345,000. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2012 totaled \$63,290 and \$10,238; respectively, paid by the general fund.

A liability in the amount of the present value of minimum lease payments has been recorded in the governmental activities of the District.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2012.

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2013	\$ 73,528
2014	<u>73,527</u>
Total	147,055
Less: amount representing interest	<u>(10,578)</u>
Present value of minimum lease payments	<u>\$ 136,477</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
EPA asbestos notes	\$ 40,396	\$ -	\$ (26,930)	\$ 13,466	\$ 13,466
Qualified school construction bonds (2010)	535,000	-	(35,000)	500,000	35,000
Qualified school construction bonds (2011)	1,051,500	-	(61,500)	990,000	60,000
Capital lease obligations	916,394	-	(114,392)	802,002	120,063
Compensated absences	<u>766,324</u>	<u>134,647</u>	<u>(234,137)</u>	<u>666,834</u>	<u>113,153</u>
Total governmental activities	<u>\$ 3,309,614</u>	<u>\$ 134,647</u>	<u>\$ (471,959)</u>	<u>\$ 2,972,302</u>	<u>\$ 341,682</u>

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- 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 bond retirement fund (a nonmajor governmental fund). The notes are interest free.

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>
2013	\$ 13,466
Total	<u>\$ 13,466</u>

***Qualified School Construction Bonds:*** On December 21, 2009, the District issued \$567,762 in qualified school construction bonds. These bonds have an interest rate of 1.93% and mature on September 15, 2024.

<u>Fiscal Year Ended.</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,000	\$ 9,312	\$ 44,312
2014	35,000	8,637	43,637
2015	35,000	7,962	42,962
2016	35,000	7,286	42,286
2017	35,000	6,610	41,610
2018 - 2022	200,000	21,710	221,710
2023 - 2025	<u>125,000</u>	<u>3,714</u>	<u>128,714</u>
Total	<u>\$ 500,000</u>	<u>\$ 65,231</u>	<u>\$ 565,231</u>

***Qualified School Construction Bonds:*** On February 28, 2011, the District issued \$1,051,500 in qualified school construction bonds. These bonds have an interest rate of 6.20% and mature on September 15, 2025.

<u>Fiscal Year Ended.</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 60,000	\$ 59,520	\$ 119,520
2014	60,000	55,800	115,800
2015	60,000	52,080	112,080
2016	65,000	48,205	113,205
2017	65,000	44,175	109,175
2018 - 2022	355,000	157,635	512,635
2023 - 2026	<u>325,000</u>	<u>42,625</u>	<u>367,625</u>
Total	<u>\$ 990,000</u>	<u>\$ 460,040</u>	<u>\$ 1,450,040</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

*Compensated Absences:* Compensated absences will be paid from the fund from which the employee's salaries are paid, which, for the District, are primarily the general fund and the emergency levy fund.

*Capital Lease Obligations:* The District issued a capital lease for the construction of an athletic complex in fiscal year 2002. The District entered into a lease purchase agreement for roof construction and improvements during fiscal year 2005. See Note 9 for details.

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$13,882,461 and an unvoted debt margin of \$170,805.

**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 25 days of vacation per year, depending upon length of service. Vacation time is not accumulated and must be used by May 30 of each fiscal year.

Each employee is entitled to 15 days sick leave with pay each year under contract and accrues sick leave at the rate of 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 receives 30 days and the Treasurer receives 25 days of vacation leave, annually.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 11 - COMPENSATED ABSENCES - (Continued)**

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 325 days for all certified employees and up to 180 days for classified employees.

**NOTE 12 - RISK MANAGEMENT**

**A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to school employees and natural disasters. During fiscal year 2012, the District contracted with Argonaut Insurance Company for property insurance with a \$1,000 deductible and Professional liability with a \$1,000,000 per occurrence and \$3,000,000 aggregate limit.

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

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

**B. Workers' Compensation Group Rating Program**

For fiscal year 2012, the District participated in the Ohio School Board Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

**C. Health Insurance**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

The provider contracted through the Consortium for Life Insurance is Medical Life Insurance Company. 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 a \$100,000 policy. The premium is \$1.00 per \$10,000 of coverage.

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

The provider contracted through the Consortium for dental benefits is Oasis Trust. A third party administrator, Coresource located in Columbus, Ohio reviews and pays claims for the Consortium. Premiums for dental coverage are \$72.10 per month per employee. Dental coverage is available to staff working 20 hours or more per week.

Vision coverage is extended to its employees through Vision Service Plan. Premiums for vision coverage are \$14.48 per month per employee. Vision coverage is available to staff working 20 hours or more per week.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$201,339, \$187,577 and \$211,331, respectively; 54.87 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS – (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under “Publications”.

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 a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

The District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$771,880, \$809,722 and \$816,912, respectively; 84.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$19,096 made by the District and \$13,640 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District’s liability is 6.2 percent of wages paid.

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$35,973, \$49,967 and \$35,167, respectively; 54.87 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$11,890, \$12,071 and \$12,567, respectively; 54.87 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$59,375, \$62,286 and \$62,839, respectively; 84.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

	<u>General fund</u>
Budget basis	\$ (151,830)
Net adjustment for revenue accruals	5,389
Net adjustment for expenditure accruals	339,426
Net adjustment for other sources/uses	(84,986)
Funds budgeted elsewhere	48,957
Adjustment for encumbrances	<u>118,959</u>
GAAP basis	<u>\$ 275,915</u>

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 - SET-ASIDES – (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	267,320
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(248,415)
Excess qualified expenditures from prior years	-
Current year offsets	(56,030)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (37,125)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**NOTE 18 - OTHER COMMITMENTS**

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

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General fund	\$ 109,549
Other governmental	<u>26,886</u>
Total	<u>\$ 136,435</u>

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CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education.</i>					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	-	31,264	-	31,264
Cash Assistance:					
National School Lunch Program	10.555	170,121	-	170,121	-
Total U.S. Department of Agriculture		170,121	31,264	170,121	31,264
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education.</i>					
Education Jobs Fund	84.410	293,516	-	291,255	-
Special Education Cluster:					
Special Education Grants to States - IDEA B	84.027	297,600	-	296,712	-
Special Education Grants to States, Recovery Act	84.391	15,319	-	21,569	-
<b>Total Special Education Cluster</b>		312,919	-	318,281	-
Title I, Part A Cluster					
Title I Grants to Local Education Agencies	84.010	177,180	-	179,183	-
Title I Grants to Local Educational Agencies, Recovery Act	84.389	4,867	-	7,785	-
<b>Total Title I, Part A Cluster</b>		182,047	-	186,968	-
Educational Technology State Grants	84.318	280	-	159	-
Improving Teacher Quality State Grants	84.367	33,423	-	33,423	-
Total U.S. Department of Education		822,185	-	830,086	-
<b>Total Federal Assistance</b>		<b>\$992,306</b>	<b>\$31,264</b>	<b>\$1,000,207</b>	<b>\$31,264</b>

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

**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports the Champion Local School District's (the "District's") federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

Champion Local School District  
Trumbull County  
5759 Mahoning Avenue, N.W.  
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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 19, 2012



# Dave Yost • Auditor of State

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

Champion Local School District  
Trumbull County  
5759 Mahoning Avenue, N.W.  
Warren, Ohio 44482

To the Board of Education:

### Compliance

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

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these 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 these requirements.

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

### Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 19, 2012

**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Education Jobs Fund – CFDA #84.410 Special Education Cluster – CFDA #84.027/84.391
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

CHAMPION LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 20, 2012