

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1998

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REPORT OF INDEPENDENT ACCOUNTANTS

Champion Local School District
Trumbull County
5759 Mahoning Avenue, N.W.
Warren, Ohio 44483

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Champion Local School District, Trumbull County, (the District) as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Jim Petro
Auditor of State

December 9, 1999

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1998

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Fixed Assets	Long Term		
Assets and Other Debits:											
Equity in Pooled Cash and Investments	\$ 2,192,810	\$ 219,123	\$ 144,938	\$ 422,149	\$ 25,892	\$ 83,165	\$	\$	\$	\$	3,088,077
Restricted Assets	53,048										53,048
Taxes Receivable	3,171,668	1,838,933		98,738		161,836					5,109,339
Due from Other Funds											161,836
Intergovernmental Receivables	2,665				76						2,665
Accounts Receivable	89,244	257		2,239	1,187						41,816
Supply Inventory	2,400				8,841						3,587
Inventory for Resale					167,063			9,361,860			8,841
Property, Plant & Equipment					(95,024)						9,528,913
Accumulated Depreciation, Where Applicable											(95,024)
Amount Available in Debt Service									144,938		144,938
Amount to be Provided for Retirement of GLTD									1,428,760		1,428,760
Total Assets and Other Debits	\$ 5,461,835	\$ 2,058,313	\$ 144,938	\$ 523,126	\$ 108,025	\$ 245,001	\$ 9,361,860	\$ 1,573,698	\$	\$ 19,476,796	

(continued)

Combined Balance Sheet
All Fund Types and Account Groups (Continued)
 June 30, 1998

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Fixed	General	Long Term	
Liabilities:											
Due to Other Funds	\$ 155,902	\$ 2,493	\$	\$	\$ 3,441	\$	\$	\$	\$	\$	\$ 161,836
Intergovernmental Payables	2,364	651				221,728			86,162		310,905
Accounts Payable	33,538	20,285		59,396	658	100					113,977
Accrued Salaries and Benefits	800,898	209,284			5,621						1,015,803
Deferred Revenue	3,161,668	1,838,933		98,738	5,686						5,105,025
Due to Others						16,181					16,181
Notes Payable									680,993		680,993
Compensated Absences Payable	40,720				11,840				806,543		859,103
Total Liabilities	4,195,090	2,071,646	0	158,134	27,246	288,009	0	1,573,698			8,263,823
Fund Equity and Other Credits:											
Investment in General Fixed Assets								9,361,860			9,361,860
Retained Earnings					80,779						80,779
Fund Balances:											
Reserved for Supply Inventory	2,400										2,400
Reserved for HB412	53,048										53,048
Reserved for Encumbrances	125,813	130,512		142,860							399,185
Reserved for Future Appropriation	10,000										10,000
Unreserved Fund Balance (Deficit)	1,075,484	(143,845)	144,938	222,132		6,992					1,305,701
Total Fund Balances	1,266,745	(13,333)	144,938	364,992	0	6,992	0	0	0	0	1,770,394
Total Fund Equity (Deficit) and Other Credits	1,266,745	(13,333)	144,938	364,992	80,779	6,992	9,361,860	0	0	0	11,212,973
Total Liabilities, Fund Equity, and Other Credits	\$ 5,461,835	\$ 2,058,313	\$ 144,938	\$ 523,126	\$ 108,025	\$ 245,001	\$ 9,361,860	\$ 1,573,698	\$ 0	\$ 19,476,796	

See Accompanying Notes to the General Purpose Financial Statements

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1998**

	Governmental Fund Types			Fiduciary Fund Type		Totals
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	(Memorandum) (Only)
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 2,586,697	\$ 1,787,937	\$ 105,543	\$ 74,284	\$	\$ 4,554,461
Tuition	434,200					434,200
Transportation Fees		1,061				1,061
Earnings on Investments	162,286			19,202		181,488
Extracurricular Activities		84,026				84,026
Miscellaneous	52,850	49,407			14,115	116,372
Revenue from Intermediate Sources						
Restricted Grants In Aid	1,574					1,574
Revenue from State Sources						
Unrestricted Grants-in-Aid	4,619,114	206,909		9,621		4,835,644
Restricted Grants-in-Aid	0	38,091		159,423		197,514
Revenue for/on Behalf of District	14,640					14,640
Revenue from Federal Sources						
Restricted Grants in Aid	1,928	107,760				109,688
Total Revenue	<u>7,873,289</u>	<u>2,275,191</u>	<u>105,543</u>	<u>262,530</u>	<u>14,115</u>	<u>10,530,668</u>
EXPENDITURES:						
Current:						
Instruction						
Regular Instruction	3,349,893	1,368,269		206,677	13,041	4,937,880
Special Instruction	1,089,328	101,872			380	1,191,580
Vocational Instruction	108,026					108,026
Other Instruction		18,088				18,088
Supporting Services						
Supporting Services-Pupil	474,217	1,127			1,752	477,096
Supporting Services-Instructional Staff	205,386	20,407				225,793
Supporting Services-Board of Ed.	14,611					14,611
Supporting Services-Administration	647,575	257,089				904,664
Fiscal Services	228,777	31,612		1,816		262,205
Operation & Maintenance-Plant	611,219	303,138		143,195		1,057,552
Supporting Services-Transportation	386,770	175,085				561,855
Supporting Services-Central	3,513	5,000				8,513
Extracurricular Activities						
Academic & Subject Oriented	16,608	22,607				39,215
Sports Oriented	169,267	104,301				273,568
Co-Curricular Activities	12,391					12,391
Capital Outlay						
Architecture & Engineering				49,546		49,546
Building Improvement	101,400			541,493		642,893
Debt Service						
Principal			85,029			85,029
Interest and Fiscal Charges			20,514			20,514
Total Expenditures	<u>7,418,981</u>	<u>2,408,595</u>	<u>105,543</u>	<u>942,727</u>	<u>15,173</u>	<u>10,891,019</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	454,308	(133,404)	0	(680,197)	(1,058)	(360,351)

(continued)

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds (Continued)
Year Ended June 30, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals
	Special	Debt	Capital	Expendable	(Memorandum)
	General	Revenue	Service	Trust	(Only)
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	6,460				6,460
Transfers-In		34,409			34,409
Refund of Prior Year Expenses	134,397	314			134,711
Other Financing Uses					
Refund of Prior Years Receipts	(40)	(73)			(113)
Transfer-Out	(33,972)				(33,972)
Net Other Financing Sources and Uses	<u>106,845</u>	<u>34,650</u>	<u>0</u>	<u>0</u>	<u>141,495</u>
Excess (Deficiency) of Revenue Receipts and Other Sources Over Expenditure Disbursement and Other Uses	561,153	(98,754)	0	(680,197)	(1,058)
Increase (Decrease) Inventory	1,972				1,972
Beginning Fund Balance	703,620	85,421	144,938	1,045,189	1,987,218
Ending Fund (Deficit) Balance	<u>\$ 1,266,745</u>	<u>\$ (13,333)</u>	<u>\$ 144,938</u>	<u>\$ 364,992</u>	<u>\$ 6,992</u>
					<u>\$ 1,770,334</u>

See Accompanying Notes to the General Purpose Financial Statements

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,584,793	\$ 2,584,793	\$ 0	\$ 1,787,937	\$ 1,787,937	\$ 0
Tuition	433,003	433,003	0			0
Transportation Fees			0	1,061	1,061	0
Earnings on Investment	156,520	156,520	0			0
Extracurricular Activities			0	84,026	84,026	0
Miscellaneous	46,304	46,304	0	49,382	49,382	0
State Unrestricted Grants-in-Aid	4,619,114	4,619,114	0	206,909	206,909	0
State Restricted Grants-in-Aid			0	38,091	38,091	0
Revenue for/on Behalf of District	14,740	14,740	0			0
Federal Restricted Grants-in-Aid	910	910	0	107,760	107,760	0
Total Revenue	7,855,384	7,855,384	0	2,275,166	2,275,166	0
Expenditures:						
Regular Instruction	3,276,962	3,276,962	0	1,365,577	1,365,577	0
Special Instruction	1,062,933	1,062,933	0	102,426	102,426	0
Vocational Instruction	106,461	106,461	0			0
Other Instruction			0	18,106	18,106	0
Support Services-Pupils	453,250	453,250	0	1,384	1,384	0
Support Services-Instructional Staff	201,125	201,125	0	20,549	20,549	0
Support Services-Board of Education	14,611	14,611	0			0
Support Services-Administration	643,438	643,438	0	257,089	257,089	0
Fiscal Services	225,840	225,840	0	31,612	31,612	0
Operation & Maintenance-Plant	585,878	585,878	0	309,276	309,276	0
Support Services-Transportation	386,039	386,039	0	176,129	176,129	0
Support Services-Central	3,913	3,913	0	5,000	5,000	0
Academic & Subject Oriented	16,608	16,608	0	22,361	22,361	0
Sports Oriented	169,126	169,126	0	114,333	114,333	0
Co-Curricular Activities	12,391	12,391	0			0
Architecture & Engineering			0			0
Building Improvement	101,400	101,400	0			0
Principal			0			0
Interest and Fiscal Charges			0			0
Total Expenditures	7,259,975	7,259,975	0	2,423,842	2,423,842	0
Excess of Revenue Over (Under) Expenditures	595,409	595,409	0	(148,676)	(148,676)	0
Other Financing Sources (Uses):						
Sale & Loss of Assets	6,730	6,730	0			0
Transfer-In			0	34,409	34,409	0
Refund of Prior Years Expenditures	131,275	131,275	0	314	314	0
Transfer-Out	(33,972)	(33,972)	0			0
Refund of Prior Years Receipts	(40)	(40)	0	(73)	(73)	0
Total Other Sources (Uses)	103,993	103,993	0	34,650	34,650	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	699,402	699,402	0	(114,026)	(114,026)	0
Beginning Fund Balance	1,546,458	1,546,458	0	333,151	333,151	0
Prior Year Carry Over Encumbrances	(157,014)	(157,014)	0	(139,325)	(139,325)	0
Ending Fund Balance	\$ 2,088,846	\$ 2,088,846	\$ 0	\$ 79,800	\$ 79,800	\$ 0

(continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds (Continued)
Year Ended June 30, 1998

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 105,543	\$ 105,543	\$ 0	\$ 74,284	\$ 74,284	\$ 0
Tuition			0			0
Transportation Fees			0			0
Earnings on Investment			0	28,430	28,430	0
Extracurricular Activities			0			0
Miscellaneous			0			0
State Unrestricted Grants-in-Aid			0	9,621	9,621	0
State Restricted Grants-in-Aid			0	159,423	159,423	0
Revenue for/on Behalf of District			0			0
Federal Restricted Grants-in-Aid			0			0
Total Revenue	105,543	105,543	0	271,758	271,758	0
Expenditures:						
Regular Instruction			0	207,947	207,947	0
Special Instruction			0			0
Vocational Instruction			0			0
Other Instruction			0			0
Support Services-Pupils			0			0
Support Services-Instructional Staff			0			0
Support Services-Board of Education			0			0
Support Services-Administration			0			0
Fiscal Services			0	1,816	1,816	0
Operation & Maintenance-Plant			0	148,028	148,028	0
Support Services-Transportation			0			0
Support Services-Central			0			0
Academic & Subject Oriented			0			0
Sports Oriented			0			0
Co-Curricular Activities			0			0
Architecture & Engineering			0	48,846	48,846	0
Facilities Acquisition & Construction			0	736,144	736,144	0
Principal	85,029	85,029	0			0
Interest and Fiscal Charges	20,514	20,514	0			0
Total Expenditures	105,543	105,543	0	1,142,781	1,142,781	0
Excess of Revenue Over (Under) Expenditures	0	0	0	(871,023)	(871,023)	0
Other Financing Sources (Uses):						
Sale & Loss of Assets			0			0
Transfer-In			0			0
Refund of Prior Years Expenditures			0			0
Transfer-Out			0			0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(871,023)	(871,023)	0
Beginning Fund Balance	144,938	144,938	0	1,293,171	1,293,171	0
Prior Year Carry Over Encumbrances	0	0	0	(201,556)	(201,556)	0
Ending Fund Balance	\$ 144,938	\$ 144,938	\$ 0	\$ 220,592	\$ 220,592	\$ 0

(continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds (Continued)
Year Ended June 30, 1998

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$	\$	\$ 0	\$ 4,552,557	\$ 4,552,557	\$ 0
Tuition			0	433,003	433,003	0
Transportation Fees			0	1,061	1,061	0
Earnings on Investment			0	184,950	184,950	0
Extracurricular Activities			0	84,026	84,026	0
Miscellaneous	14,115	14,115	0	109,801	109,801	0
State Unrestricted Grants-in-Aid			0	4,835,644	4,835,644	0
State Restricted Grants-in-Aid			0	197,514	197,514	0
Revenue for/on Behalf of District			0	14,740	14,740	0
Federal Restricted Grants-in-Aid			0	108,670	108,670	0
Total Revenue	14,115	14,115	0	10,521,966	10,521,966	0
Expenditures:						
Regular Instruction	13,041	13,041	0	4,863,527	4,863,527	0
Special Instruction	380	380	0	1,165,739	1,165,739	0
Vocational Instruction			0	106,461	106,461	0
Other Instruction			0	18,106	18,106	0
Support Services-Pupils	1,752	1,752	0	456,386	456,386	0
Support Services-Instructional Staff			0	221,674	221,674	0
Support Services-Board of Education			0	14,611	14,611	0
Support Services-Administration			0	900,527	900,527	0
Fiscal Services			0	259,268	259,268	0
Operation & Maintenance-Plant			0	1,043,182	1,043,182	0
Support Services-Transportation			0	562,168	562,168	0
Support Services-Central			0	8,913	8,913	0
Academic & Subject Oriented			0	38,969	38,969	0
Sports Oriented			0	283,459	283,459	0
Co-Curricular Activities			0	12,391	12,391	0
Architecture & Engineering			0	48,846	48,846	0
Building Improvement			0	837,544	837,544	0
Principal			0	85,029	85,029	0
Interest and Fiscal Charges			0	20,514	20,514	0
Total Expenditures	15,173	15,173	0	10,947,314	10,947,314	0
Excess of Revenue Over (Under) Expenditures	(1,058)	(1,058)	0	(425,348)	(425,348)	0
Other Financing Sources (Uses):						
Sale & Loss of Assets			0	6,730	6,730	0
Transfer-In			0	34,409	34,409	0
Refund of Prior Years Expenditures			0	131,589	131,589	0
Transfer-Out			0	(33,972)	(33,972)	0
Refund of Prior Years Receipts			0	(113)	(113)	0
Total Other Sources (Uses)	0	0	0	138,643	138,643	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,058)	(1,058)	0	(286,705)	(286,705)	0
Beginning Fund Balance	8,050	8,050	0	3,325,768	3,325,768	0
Prior Year Carry Over Encumbrances	0	0	0	(497,895)	(497,895)	0
Ending Fund Balance	\$ 6,992	\$ 6,992	\$ 0	\$ 2,541,168	\$ 2,541,168	\$ 0

See Accompanying Notes to the General Purpose Financial Statements

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 1998

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 297,960
Classroom Materials & Fees	45,298
Total Operating Revenue	343,258
Operating Expenses:	
Salary and Wages	111,347
Employee Benefits	86,812
Purchase Services	3,169
Supplies and Materials	208,100
Other Expenses	10
Depreciation	768
Total Operating Expenses	410,206
Operating Loss	(66,948)
Non-Operating Revenues:	
State Unrestricted Grants In-Aid	2,162
Federal Unrestricted Grants In-Aid	51,238
Federal Restricted Grants In-Aid	14,281
Total Non-Operating Revenue	67,681
Net Income	733
Beginning Retained Earning	80,046
Retained Earnings at End of Year	\$ 80,779

See Accompanying Notes to the General Purpose Financial Statements

Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 1998

		<u>Enterprise Funds</u>
Cash Flows from Operating Activities:		
Cash received from sales/charges for services	\$	297,883
Cash received from other operations		45,298
Cash payments for personal services		(126,564)
Cash payments for employee retirement & ins.		(71,601)
Cash payments for supplies & materials		(193,717)
Cash payments for other expenses		<u>(3,175)</u>
Net cash provided by (used for) operating activities		(51,876)
Cash Flows from Noncapital Financing Activities:		
Cash received from grants (state)		2,162
Cash received from grants (federal)		51,238
Refund of prior year transaction		<u>64</u>
Net cash provided by noncapital financing sources		<u>53,464</u>
Net Increase (Decrease) in Cash & Cash Equivalents		1,588
Cash and Cash Equivalents at Beginning of Year		<u>24,304</u>
Cash and Cash Equivalents at End of Year	\$	<u>25,892</u>

(continued)

**Combined Statement of Cash Flows
All Proprietary Fund Types (Continued)
Year Ended June 30, 1998**

	<u>Enterprise Funds</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating Loss	\$ (66,948)
Adjustment to Reconcile Operating Gain (Loss) To Net Cash used in Operating Activities:	
Depreciation	768
Donated Commodities during the year	14,217
<i>Accounts Receivable</i>	(13)
Inventory for Resale	(177)
Inventory	(2,477)
Due to Other Funds	2,155
Intergovernmental Payable	(44)
<i>Accounts Payable</i>	(3,904)
Accrued Wages & Benefits	2,530
Deferred Revenue	2,222
Compensated Absences	<u>(205)</u>
Net Cash Used in Operating Activities	<u>\$ (51,876)</u>

See Accompanying Notes to the General Purpose Financial Statements

Notes to the General Purpose Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies

The financial statement of the Champion Local School District (the District) has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Champion Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Champion Local School District is a local school District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1997, was 1,805. The District employed 5 administrative and 2 supervisory personnel, 119 certified employees and 78 non-certificated employees. Champion Local School District is supervised by the Trumbull County Educational Service Center, a separate entity.

Champion Local School District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying General Purpose Financial Statements comply with the provisions of (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A

Notes to the General Purpose Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies (continued)

financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities, nor are they fiscally dependent on the School District.

The Township government of Champion is a separate body politic and corporate. Three trustees are elected independent of any School District relationships, and administer the provision of traditional services. These trustees act as the taxing and budgeting authority for these services.

The Trumbull County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. Its Board of Education is appointed by the representative school districts. The School District is not involved in the budgeting or management of the Trumbull County Joint Vocational School District. Champion's students may attend the vocational school.

The School District is not involved in the budgeting or management of the Parent Teacher or boosters clubs. The School District is not responsible for any debt, and has no influence over the organizations or clubs.

The School District is a participating member of the North East Ohio Management Information Network (NEOMIN). NEOMIN provides data services needed by the participating school districts. The Trumbull County Educational Service Center serves as fiscal agent. This is a jointly governed organization, and the School District's participation is discussed in Note 13 to the General Purpose Financial Statements.

Management believes the financial statements included in this report represent all of the funds of Champion Local School District over which Champion Local School District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 1. Summary of Significant Accounting Policies (continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (expenditures and other financing uses) of "available spendable resources" during the period.

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

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

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

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

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had no Internal Service Funds at June 30, 1998.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Notes to the General Purpose Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies (continued)

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no Non-Expendable Trust Funds at June 30, 1998.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the District's account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the proprietary funds.

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The District has elected, under GASB No.20, to apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies (continued)

The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, and accounts (student fees and rent).

The School District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998 which are intended to finance fiscal year 1998 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable.

D. Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated, the primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - 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

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 1. Summary of Significant Accounting Policies (continued)

conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for rate determination.

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 1998.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, 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 at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments". During the fiscal year all investments were limited to STAR Ohio and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1997-98. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest income earned in fiscal year 1998 totaled \$162,286 for the General Fund and \$19,202 for the Permanent Improvement Funds.

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

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$ 53,048 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve has also been established.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (Purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicate they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 1. Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998 are recorded as prepaid items by using the non-allocation method. Prepaid items are expensed when purchased, not when consumed.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Special Revenue

Management Information Systems

Local Professional Development Block

Non-Reimbursable Grants

Special Revenue Funds

School Net

Textbook

Title VI-B

Chapter I

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 1. Summary of Significant Accounting Policies (continued)

Chapter VI
Drug Free Schools

Reimbursable Grants
General Fund

Driver Education Reimbursement
School Bus Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately thirty-nine percent of the School District's operating revenue during the 1998 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1998, the District had \$161,836 in "Due to/from Other Funds" and no "interfund receivables/payables".

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 1998.

M. Compensated Absences

The School District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 1. Summary of Significant Accounting Policies (continued)

For governmental funds, the School District records a liability for accumulated unused vacation time when earned. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned and the entire amount of compensated absences is reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 1998, the District had no contributed capital.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The financial statements do not include a transfer-out of \$437 which was transferred from Class of 1997 Fund (Agency Fund) to Champion Student Services Fund (Special Revenue Fund), as agency funds do not report operations.

Q. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances,

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 1. Summary of Significant Accounting Policies (continued)

inventories of materials and supplies, and for budget stabilization. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

R. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 2. Budgetary Basis of Accounting (continued)

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	General Fund	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	\$ 561,153	(98,754)	(680,197)	\$ (1,058)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(17,905)	(25)	9,228	0
Due to Expenditures:				
Net Adjustments to Expenditures	159,006	(15,247)	(200,054)	0
Due to Other	(2,852)	0	0	0
Budget Basis	<u>\$ 699,402</u>	<u>(114,026)</u>	<u>(871,023)</u>	<u>\$ (1,058)</u>

Note 3. Legal Compliance-Fund Deficits

The following funds had deficit balances at June 30, 1998:

Emergency Levy	\$ (90,917)
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The Emergency Levy deficit resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficit and will take the necessary steps to alleviate the deficit. The Emergency Levy deficit results from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

Note 4. Cash 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 4. Cash 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 pass book accounts.

Protection of School 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.

Moneys held by the District which are not considered active are classified as inactive. Inactive 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 or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 4. Cash and Investments (continued)

- 9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
- 10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

Deposits At fiscal year end, the carrying amount of the District's deposits was (\$83,359) and the bank balance was \$49,500. All of the bank balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement 3, entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in Deferred Compensation and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 463,313	\$ 463,313	\$ 463,313
STAR Ohio		2,761,121	2,761,121
Total Investments		<u>\$ 3,224,434</u>	<u>\$ 3,224,434</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 4. Cash and Investments (continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 3,141,125	\$ 0
Investments:		
Repurchase Agreement	(463,313)	463,313
STAR Ohio	(2,761,121)	2,761,121
Total	(83,309)	3,224,434
Cash on Hand	(50)	0
GASB Statement No.3	\$ (83,359)	\$ 3,224,434

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Champion Local School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1993. Real property taxes are payable annually or semi-annually. If paid annually, payment is due February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by October.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Trumbull County Treasurer collects property tax on behalf of the School District. The Trumbull County Auditor remits to the Champion Local School District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property taxes.

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 5. Property Tax (continued)

The full tax rate at the fiscal year ended June 30, 1998 for operations was \$45.62 per \$1,000 of assessed valuation and \$1.50 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the 1997 taxes were collected were as follows:

Real Property	\$ 104,314,160
Public Utility Personal Property	5,970,970
Tangible Personal Property	17,420,422
Total Assessed Value	\$ 127,705,552

Note 6. Receivables

Receivables at June 30, 1998, consisted of taxes, accounts (rent and student fees), interest and *intergovernmental grants and entitlements*. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Excess Costs	\$ 1,197
Vocational Mileage Reimbursement	1,018
Other State Reimbursements	450
Grand Total	\$ 2,665

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997 and 1996 were \$185,148, \$173,220, and \$164,472, respectively; 53.5 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$86,162 representing the unpaid contribution for

Notes to the General Purpose Financial Statements
June 30, 1998

Note 7. Defined Benefit Pension Plans (continued)

fiscal year 1998, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997 and 1996 were: \$724,368, \$640,512, and \$608,592, respectively; 83.3 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$120,728 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

Note 8. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$1,860 million at June 30, 1997 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 1998, will be 3.5% of covered payroll. For the District, this amount equaled \$142,416 during the 1998 fiscal year. For the fiscal year ended June 30, 1997, eligible benefit recipients totaled 88,718, and net health care costs paid by STRS were \$192,077,000.

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

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 8. Postemployment Benefits (continued)

For the fiscal year ended June 30, 1997 (the latest information available), employer contributions to fund health care benefits were 4.21 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$24,446 during the 1998 fiscal year. The number of participants currently receiving health care benefits is approximately 48,200. For the fiscal year ended June 30, 1997, net health care costs paid by SERS were \$97,429,197.

Note 9. 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 ten to twenty days of vacation per year, depending upon length of service. Vacation time is not accumulated and must be used by April 30 of each fiscal year.

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

Vacation Pay: 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 has 20 days vacation leave, and the Treasurer has 15 days vacation leave.

Service Retirement:

Classified Employees: Employees with five years of service in the Champion Local School District who elect to retire shall receive in, one lump sum, based upon the following table, unused sick leave multiplied times the per diem rate at the time of retirement.

Years of Service	Percentage	Not to Exceed
Not less than 05	30	600 Hours
Not less than 10	30	720 Hours
Not less than 15	30	840 Hours
Not less than 20	30	960 Hours

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 9. Compensated Absences (continued)

Certified Employees: Employees with five years of service in the Champion Local School District who elect to retire shall receive in, one lump sum, one fourth (1/4) of the value of unused sick leave to a maximum of twenty-five days (i.e., 1/4 of 100 days) multiplied times the per diem rate at the time of retirement. In addition, a maximum of one-eighth (1/8) of the additional accumulated sick leave up to 300 days shall be included in the lump sum payment.

Note 10. Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1998.

B. Litigation

The Champion Local School District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending project at June 30, 1998.

Note 11. General Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 1998, are as follows:

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Intergovernmental Payable	\$ 85,070	\$ 1,092	\$ 0	\$ 86,162
Energy Conservation Note	348,600	0	58,100	290,500
EPA Asbestos Note	417,422	0	26,929	390,493
Compensated Absence *	649,019	157,524	0	806,543
Total	\$ 1,500,111	\$ 158,616	\$ 85,029	\$ 1,573,698

* Additions and deletions of compensated absences are shown net since it is impractical for the District to determine these amounts separately.

Energy Conservation Note: The Board of Education authorized the issuance of the notes in the maximum amount of \$581,000. The notes were dated January 1993 for \$581,000 and mature in annual installments through January 2003, with interest payable at 5.8%. The outstanding notes relate to a project in 1993, for which notes were issued to purchase and install energy conservation measures. These notes mature January 2003 and are unvoted notes authorized by House Bill 264 which was legislation enacted by the Ohio General Assembly.

**Notes to the General Purpose Financial Statements
June 30, 1998**

Note 11. General Long-Term Debt (continued)

	Payment	Interest	Principal
FY 1999	\$ 75,178	\$ 17,078	\$ 58,100
FY 2000	71,760	13,660	58,100
FY 2001 & Thereafter	194,804	20,504	174,300
Total	\$ 341,742	\$ 51,242	\$ 290,500

The Ohio Revised Code 133.06 stipulates that the principal amount of a District's unvoted debt for energy conservation measures may not exceed nine tenths of one percent of its valuation, and the total net unvoted debt of the District shall not exceed one percent of the District's tax valuation. The District's energy conservation notes stand within these statutory limitations as prescribed by O.R.C. 133.06.

EPA Asbestos Note: The EPA Asbestos note was issued by the United States Federal Government to the District for the removal of asbestos from District buildings. This is a no interest note with the first payment not due until May 1995. It will be amortized over an 18 year period.

	Payment
FY 1999	\$ 26,930
FY 2000	26,930
FY 2001 & Thereafter	336,633
Total	\$ 390,493

Note 12. Fixed Assets

The following is a summary of the proprietary funds' fixed assets at June 30, 1998:

Furniture and Fixtures	\$ 167,053
Less Accumulated Depreciation	95,024
Net Fixed Assets	\$ 72,029

Notes to the General Purpose Financial Statements
June 30, 1998

Note 12. Fixed Assets (continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1998:

	General Fixed Assets			General Fixed
	July 1, 1997	Additions	Deletions	Assets June 30, 1998
Land	\$ 39,532	\$ 0	\$ 0	\$ 39,532
Buildings	4,230,704	943,330	0	5,174,034
Equipment	3,182,097	281,885	141,440	3,322,542
Vehicles	750,387	140,094	64,729	825,752
Total	\$ 8,202,720	\$ 1,365,309	\$ 206,169	\$ 9,361,860

Note 13. Jointly Governed Organization

North East Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. Champion Local School District contributed \$15,325 to NEOMIN for fiscal year 1998.

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), two superintendents from Ashtabula County school districts, four superintendents from Trumbull County districts, a principal and treasurer. The Champion Local School District was not represented on the Governing Board during fiscal year 1998. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of a complete set of separate financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Note 14. Risk Management

A. General Risk

The School District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to school employees and natural disasters. During fiscal year 1998, the School District contracted with the Indiana Insurance Company for property insurance with a \$1,000.00 deductible. Professional liability is protected by the Nationwide Mutual Insurance Company with a \$1,000,000.00 per occurrence and \$5,000,000.00 aggregate limit.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 14. Risk Management (continued)

Vehicles are covered by the Grange Mutual Casualty Company and hold \$100.00 and \$300.00 deductibles for comprehensive and collision. Automobile liability has a \$450,000.00 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the last ten years.

\$20,000.00 performance bonds are maintained for the Superintendent, Treasurer and Board President. All performance bonds are maintained by the Nationwide Mutual Insurance Company.

The School District also provides a supplemental health insurance policy through Lawrence E. Smith and Associates, Inc. for its students in grade 6th through 12th for athletic accidents. The premium is \$6.50 per student enrolled in grade 6th through 12th on the October Average Daily Membership. The policy is effective from August 1 until the last day of school attendance.

The School District pays the State Worker's Compensation System a premium based on a rate per \$100.00 of salaries. This rate is calculated based on accident history and administrative costs. The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, The President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

B. Health Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$50,000.00 for all certified and administrative staff and their support staff and \$10,000.00 for all union and non-union full time classified staff. Coverage is provided through the Medical Life Insurance Company. The premium is \$1.25 per \$10,000.00 of coverage.

The School District has elected to provide employee medical/surgical benefits through a consortium of school districts known as the Trumbull County Schools Insurance Consortium Association. The Consortium purchases stop loss coverage of \$125,000.00 through the General American Life Insurance Company, and the pool covers the excess. A third party administrator, Coresource, located in Columbus, Ohio, reviews and pays claims for the Consortium. The School District pays premiums for Traditional Coverage of \$491.10 for family coverage or \$188.90 for individual coverage and Preferred Provider Coverage of \$428.48 for family coverage or \$165.44 for individual coverage per month to the Consortium. The premium is paid by the fund that pays the salary of the employee.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 14. Risk Management (continued)

Dental and prescription drug coverage are also provided through Coresource. Premiums for dental coverage are \$51.19 monthly on a composite basis, and premiums for prescription drug coverage are \$76.99 monthly on a composite basis. This dental coverage is available only to certified, administrative and non-union full time classified staff. Union classified staff have dental coverage and hearing aide coverage also provided by Coresource with a composite rate of \$29.00.

The School District also offers a health maintenance plan to its employees through United Healthcare Insurance Company. The School District pays \$432.60 for family coverage and \$190.10 for individual coverage per month. Also, vision coverage is extended to its employees through Vision Care. The premium is \$10.11 per month per employee.

Note 15. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 1998, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues	\$ 297,960	\$ 45,298	\$ 343,258
Operating Expenses:			
Depreciation	768	0	768
Other Expenses	362,856	46,582	409,438
Total Operating Expenses	363,624	46,582	410,206
Operating Income (loss)	(65,664)	(1,284)	(66,948)
Non Operating Revenues and Operating Grants	67,681	0	67,681
Net Income (loss)	\$ 2,017	\$ (1,284)	\$ 733
Net Working Capital	\$ 6,727	\$ 2,123	\$ 8,850
Total Assets	\$ 105,931	\$ 2,094	\$ 108,025
Total Fund Equity	\$ 78,756	\$ 2,023	\$ 80,779

Note 16. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring a certain portions of the Ohio school founding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District.

Notes to the General Purpose Financial Statements
June 30, 1998

Note 16. School Funding Decision (Continued)

During the fiscal year ended June 30, 1998, the District received \$4,309,253 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. Currently, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this programs and on its financial operations.

Note 17. Change in Accounting Principle

For fiscal year 1998, the District has implemented Statement No. 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". Statement No. 31 establishes new accounting standards for the treatment of investments, specifically reporting investments at "fair value". No change was required from prior years.

Note 18. Substitute House Bill 412

Substitute House Bill 412, as amended by A.S.H.B. 770, requires school districts to set aside certain percentages of defined revenues for (1) a textbook and instructional materials "fund", (2) a capital and maintenance "fund" and (3) a budget reserve "fund". It also requires five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended "spending reserve" provisions. The District was required to set aside the Bureau of Workers Compensation rebate received during fiscal year 1998 as a budget reserve. The rest of the set aside requirements do not take affect until the 1999 fiscal year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 Champion Local School District, Trumbull County, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Champion Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Champion Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Champion Local School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Champion Local School District in a separate letter dated December 9, 1999.

This report is intended for the information of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

December 9, 1999



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OFFICE OF THE AUDITOR

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CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: MAY 09 2000