

CHAMPION LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Fiscal Year Ended June 30, 2015





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Champion Local School District, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 25, 2016

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**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Champion Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Champion Local School District, Trumbull County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 14, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management's discussion and analysis of Champion Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$656,344, which represents a 3.83% increase from fiscal year 2014 as restated as described in Note 3.
- General revenues accounted for \$12,689,515 in revenue or 84.19% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,382,532 in revenue or 15.81% of total revenues of \$15,072,047.
- The District had \$14,415,703 in expenses related to governmental activities; only \$2,382,532 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 \$12,689,515 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$14,349,027 in revenues and \$13,370,222 in expenditures and other financing uses. The general fund also reported a decrease in nonspendable inventory in the amount of \$3,375. During fiscal year 2015, the general fund's fund balance increased \$975,430 from a fund balance of \$223,919 to a fund balance of \$1,199,349.

Using the Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2015?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 12. 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 only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 20-22 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62 through 68 of this report.

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Net Position	
	Governmental Activities	Restated Governmental Activities
	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current and other assets	\$ 9,629,883	\$ 9,097,303
Capital assets, net	<u>1,490,574</u>	<u>1,620,543</u>
Total assets	<u>11,120,457</u>	<u>10,717,846</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>1,202,021</u>	<u>951,585</u>
Total deferred outflows of resources	<u>1,202,021</u>	<u>951,585</u>
<u>Liabilities</u>		
Current liabilities	1,613,107	1,529,770
Long-term liabilities:		
Due within one year	349,218	217,222
Due in more than one year:		
Net pension liability	16,164,341	19,210,220
Other amounts	<u>2,134,183</u>	<u>2,180,393</u>
Total liabilities	<u>20,260,849</u>	<u>23,137,605</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	5,596,692	5,651,069
Pensions	<u>2,927,836</u>	<u>-</u>
Total deferred inflows of resources	<u>8,524,528</u>	<u>5,651,069</u>
<u>Net Position</u>		
Net investment in capital assets	956,957	1,013,498
Restricted	89,220	168,024
Unrestricted (deficit)	<u>(17,509,076)</u>	<u>(18,300,765)</u>
Total net position	<u>\$ (16,462,899)</u>	<u>\$ (17,119,243)</u>

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$1,135,346 to (\$17,119,243).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$16,462,899).

At year end, capital assets represented 13.41% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2015 was \$956,957. 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.

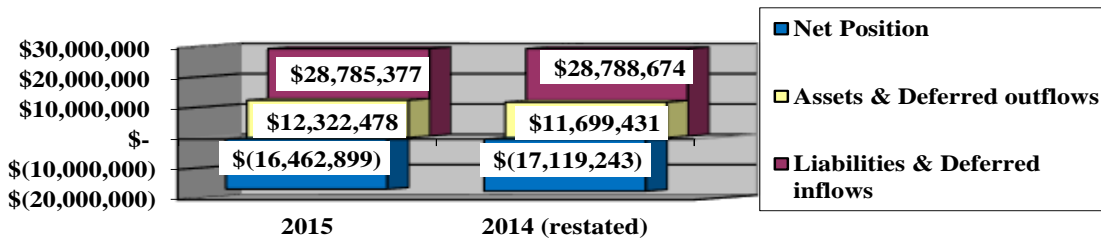
**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

A portion of the District's net position, \$89,220, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$17,509,076.

The graph below illustrates the District's assets, liabilities, deferred inflows of resources, and net position at June 30, 2015 and June 30, 2014. . The net position at June 30, 2014 has been restated as described in Note 3.

Governmental Activities



The table below shows the changes in net position for governmental activities for fiscal years 2015 and 2014.

	Change in Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 856,330	\$ 1,054,622
Operating grants and contributions	1,526,202	1,386,849
General revenues:		
Property taxes	4,872,207	5,241,492
Grants and entitlements	7,751,731	7,363,075
Investment earnings	4,621	3,459
Miscellaneous	60,956	79,887
Total revenues	<u>15,072,047</u>	<u>15,129,384</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Change in Net Position (Continued)	
	Governmental	Restated
	Activities	Governmental
	<u>2015</u>	<u>2014</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,399,000	\$ 5,266,079
Special	1,509,010	1,581,963
Vocational	4,343	86,862
Other	603,779	540,430
Support services:		
Pupil	660,076	646,758
Instructional staff	1,416,807	1,071,816
Board of education	59,669	45,147
Administration	1,030,496	1,036,125
Fiscal	387,428	383,954
Operations and maintenance	1,454,155	1,487,143
Pupil transportation	869,580	926,957
Central	37,074	23,580
Operation of non-instructional services:		
Food service operations	405,067	451,898
Extracurricular activities	497,153	521,861
Interest and fiscal charges	<u>82,066</u>	<u>92,311</u>
Total expenses	<u>14,415,703</u>	<u>14,162,884</u>
Change in net position	656,344	966,500
Net position at beginning of year (restated)	<u>(17,119,243)</u>	<u>N/A</u>
Net position at end of year	<u>\$ (16,462,899)</u>	<u>\$ (17,119,243)</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$951,585 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$681,004.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 14,415,703
Pension expense under GASB 68	(681,004)
2015 contractually required contributions	<u>1,049,483</u>
Adjusted 2015 program expenses	14,784,182
Total 2014 program expenses under GASB 27	<u>14,162,884</u>
Increase in program expenses not related to pension	<u>\$ 621,298</u>

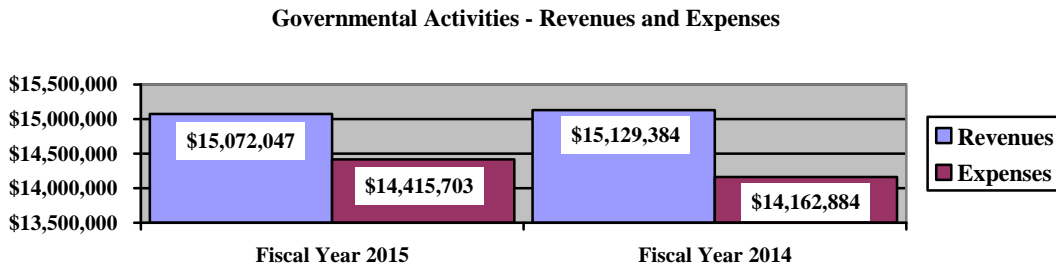
Net position of the District's governmental activities increased \$656,344. Total governmental expenses of \$14,415,703 were offset by program revenues of \$2,382,532 and general revenues of \$12,689,515. Program revenues supported 16.53% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 83.76% of total governmental revenues. These revenue sources increased during fiscal year 2015 primarily due to the passage of a new property tax levy in May of 2013.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,516,132 or 52.14% of total governmental expenses for fiscal year 2015.

Instructional staff expenses increased during fiscal year 2015 mainly due to an increase in costs associated with instruction-related technology services and other instructional staff support services.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2015 and 2014.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2015 and 2014. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses				
Instruction:				
Regular	\$ 5,399,000	\$ 4,971,147	\$ 5,266,079	\$ 4,660,226
Special	1,509,010	187,936	1,581,963	380,986
Vocational	4,343	3,616	86,862	78,598
Other	603,779	603,779	540,430	540,430
Support services:				
Pupil	660,076	660,076	646,758	646,758
Instructional staff	1,416,807	1,416,807	1,071,816	1,071,816
Board of education	59,669	59,669	45,147	45,147
Administration	1,030,496	1,030,496	1,036,125	1,036,125
Fiscal	387,428	387,428	383,954	383,954
Operations and maintenance	1,454,155	1,393,515	1,487,143	1,440,355
Pupil transportation	869,580	869,580	926,957	925,047
Central	37,074	37,074	23,580	23,580
Operation of non-instructional services:				
Food service operations	405,067	(44,537)	451,898	15,558
Extracurricular activities	497,153	416,823	521,861	425,495
Interest and fiscal charges	<u>82,066</u>	<u>39,762</u>	<u>92,311</u>	<u>47,338</u>
Total expenses	<u>\$ 14,415,703</u>	<u>\$ 12,033,171</u>	<u>\$ 14,162,884</u>	<u>\$ 11,721,413</u>

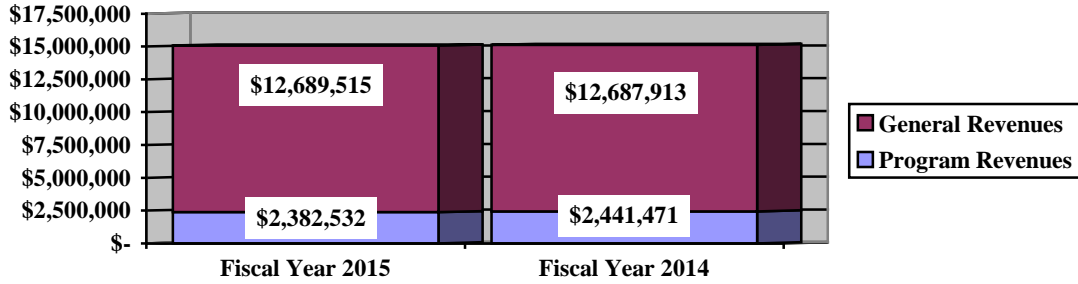
The dependence upon taxes and other general revenues for governmental activities is apparent, as 76.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.47%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The graph below presents the District's governmental activities revenues for fiscal years 2015 and 2014.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,458,116, which is more than last year's total fund balance of \$363,684. The table below indicates the fund balance and the total change in fund balance as of June 30, 2015 and June 30, 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance <u>June 30, 2014</u>	<u>Increase</u>
General fund	\$ 1,199,349	\$ 223,919	\$ 975,430
Nonmajor governmental funds	<u>258,767</u>	<u>139,765</u>	<u>119,002</u>
Total	<u>\$ 1,458,116</u>	<u>\$ 363,684</u>	<u>\$ 1,094,432</u>

General Fund

The District's general fund balance increased \$975,430. This increase in fund balance is primarily attributable to the passage of a new property tax levy in May of 2013, which resulted in an increase in property tax revenue during fiscal year 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund during fiscal years 2015 and 2014.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,425,983	\$ 4,969,197	9.19 %
Tuition	442,776	614,912	(27.99) %
Earnings on investments	4,450	3,342	33.15 %
Intergovernmental	8,309,013	7,904,314	5.12 %
Other revenues	<u>166,805</u>	<u>211,813</u>	(21.25) %
	0		
Total	<u>\$ 14,349,027</u>	<u>\$ 13,703,578</u>	4.71 %
<u>Expenditures</u>			
Instruction	\$ 7,062,167	\$ 6,922,822	2.01 %
Support services	5,848,358	5,490,636	6.52 %
Extracurricular activities	291,357	296,231	(1.65) %
Debt service	<u>104,247</u>	<u>174,359</u>	(40.21) %
Total	<u>\$ 13,306,129</u>	<u>\$ 12,884,048</u>	3.28 %

Overall revenues of the general fund increased \$645,449 or 4.71%. Taxes increased \$456,786 or 9.19% mainly due to the passage of a new property tax levy in May of 2013. Tuition decreased \$172,136 or 27.99% primarily due to a decrease in tuition for regular education. Intergovernmental revenue increased \$404,699 or 5.12% primarily due to an increase in State revenues received as part of the new property tax levy passed in May of 2013. The decrease in other revenues of \$45,008 or 21.25% is attributable to a decrease in revenues from contracted services provided by the District.

Overall expenditures of the general fund increased \$422,045 or 3.28%. Support services increased \$357,722 or 6.52% mainly due to an increase in costs associated with instruction-related technology services and other instructional staff support services. Debt services decreased \$71,112 primarily due to the lease-purchase agreement for roof construction ending in fiscal 2014.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$11,326,072, which was \$222,628 more than original budgeted revenues and other financing sources of \$11,103,444. Actual revenues and other financing sources of \$11,326,072 matched exactly to the final budgeted amounts.

General fund original appropriations (appropriated expenditures and other financing uses) of \$10,499,786 were decreased to \$10,184,311 in the final budget. The actual budget basis expenditures and other financing uses of \$10,184,311 matched exactly to the final budgeted amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$1,490,574 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, 2015 capital asset balances compared to June 30, 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 38,950	\$ 38,950
Land improvements	20,224	22,397
Buildings and improvements	733,561	889,621
Furniture and equipment	383,588	375,649
Vehicles	314,251	293,926
Total	\$ 1,490,574	\$ 1,620,543

The overall decrease in capital assets of \$129,969 is due to depreciation expense of \$297,139 and total disposals of capital assets of \$0 (net of accumulated depreciation) exceeding capital outlays of \$167,170.

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

Debt Administration

At June 30, 2015, the District had \$1,205,000 in qualified school construction bonds, \$165,000 in school improvement bonds, \$498,334 in lease-purchase agreements, and \$54,179 in capital lease obligations. Of this total, \$238,185 is due within one year and \$1,684,328 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2015 and June 30, 2014.

Outstanding Debt at June 30

	Governmental	Restated
	Activities	Governmental
	2015	2014
Qualified school construction bonds	\$ 1,205,000	\$ 1,300,000
School improvement bonds	165,000	-
Lease-purchase agreements	498,334	559,244
Capital lease obligations	54,179	73,068
Total	\$ 1,922,513	\$ 1,932,312

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

At June 30, 2015, the District's overall legal debt margin was \$13,558,782, with an unvoted debt margin of \$165,875.

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

Current Financial Related Activities

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

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

Several significant legislative and judicial actions have occurred that may have a major impact on the District. The Ohio Supreme Court ruled on September 6, 2001 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.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,924,426
Receivables:	
Taxes	6,298,905
Accounts.	1,950
Accrued interest	521
Intergovernmental	357,481
Prepayments	41,046
Materials and supplies inventory.	4,396
Inventory held for resale.	1,158
Capital assets:	
Nondepreciable capital assets	38,950
Depreciable capital assets, net.	1,451,624
Capital assets, net	1,490,574
Total assets.	11,120,457
 Deferred outflows of resources:	
Pension - STRS	974,493
Pension - SERS	227,528
Total deferred outflows of resources	1,202,021
 Liabilities:	
Accounts payable.	84,496
Accrued wages and benefits payable	1,196,962
Intergovernmental payable	100,447
Pension obligation payable.	202,733
Accrued interest payable	28,469
Long-term liabilities:	
Due within one year.	349,218
Due in more than one year.	
Net pension liability (See Note 13)	16,164,341
Other amounts due in more than one year	2,134,183
Total liabilities	20,260,849
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	5,596,692
Pension - STRS.	2,480,063
Pension - SERS.	447,773
Total deferred inflows of resources	8,524,528
 Net position:	
Net investment in capital assets	956,957
Restricted for:	
Capital projects	30,701
State funded programs.	8
Federally funded programs	10,236
Student activities	22,480
Other purposes	25,795
Unrestricted (deficit)	(17,509,076)
Total net position.	\$ (16,462,899)

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, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,399,000	\$ 391,148	\$ 36,705	\$ (4,971,147)
Special	1,509,010	96,837	1,224,237	(187,936)
Vocational	4,343	-	727	(3,616)
Other	603,779	-	-	(603,779)
Support services:				
Pupil	660,076	-	-	(660,076)
Instructional staff	1,416,807	-	-	(1,416,807)
Board of education	59,669	-	-	(59,669)
Administration	1,030,496	-	-	(1,030,496)
Fiscal	387,428	-	-	(387,428)
Operations and maintenance	1,454,155	60,640	-	(1,393,515)
Pupil transportation	869,580	-	-	(869,580)
Central	37,074	-	-	(37,074)
Operation of non-instructional services:				
Food service operations	405,067	227,475	222,129	44,537
Extracurricular activities	497,153	80,230	100	(416,823)
Interest and fiscal charges	82,066	-	42,304	(39,762)
Total governmental activities	\$ 14,415,703	\$ 856,330	\$ 1,526,202	(12,033,171)

General revenues:

Property taxes levied for:		
General purposes		4,683,196
Debt service		112,738
Capital outlay		76,273
Grants and entitlements not restricted to specific programs		7,751,731
Investment earnings		4,621
Miscellaneous		60,956
Total general revenues		12,689,515
Change in net position		656,344
Net position at beginning of year (restated)		(17,119,243)
Net position at end of year		\$ (16,462,899)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,584,613	\$ 339,813	\$ 2,924,426
Receivables:			
Taxes.	6,199,972	98,933	6,298,905
Accounts	992	958	1,950
Accrued interest	476	45	521
Intergovernmental.	262,945	94,536	357,481
Prepayments.	41,046	-	41,046
Materials and supplies inventory.	3,704	692	4,396
Inventory held for resale.	-	1,158	1,158
Total assets	<u>\$ 9,093,748</u>	<u>\$ 536,135</u>	<u>\$ 9,629,883</u>
Liabilities:			
Accounts payable	\$ 13,249	\$ 71,247	\$ 84,496
Accrued wages and benefits payable	1,114,181	82,781	1,196,962
Compensated absences payable	59,690	-	59,690
Intergovernmental payable	93,996	6,451	100,447
Pension obligation payable	184,237	18,496	202,733
Total liabilities.	<u>1,465,353</u>	<u>178,975</u>	<u>1,644,328</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	5,508,783	87,909	5,596,692
Delinquent property tax revenue not available.	657,318	10,484	667,802
Intergovernmental revenue not available.	262,945	-	262,945
Total deferred inflows of resources	<u>6,429,046</u>	<u>98,393</u>	<u>6,527,439</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	3,704	692	4,396
Prepays.	41,046	-	41,046
Restricted:			
Capital improvements	-	185,217	185,217
Food service operations	-	39,102	39,102
Special education	-	9,066	9,066
Targeted academic assistance	-	2,202	2,202
Other purposes.	-	8	8
Extracurricular.	-	22,480	22,480
Committed:			
Student and staff support	79,921	-	79,921
Facilities acquisition and construction	21,532	-	21,532
Student Instruction	1,500	-	1,500
Assigned:			
Student instruction	12,371	-	12,371
Student and staff support.	52,849	-	52,849
Other purposes.	20,655	-	20,655
Unassigned	965,771	-	965,771
Total fund balances	<u>1,199,349</u>	<u>258,767</u>	<u>1,458,116</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,093,748</u>	<u>\$ 536,135</u>	<u>\$ 9,629,883</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances	\$	1,458,116
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,490,574
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Taxes receivable	\$ 667,802	
Intergovernmental receivable	262,945	
Total	930,747	930,747
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(28,469)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	1,202,021	
Deferred inflows - pension	(2,927,836)	
Net pension liability	(16,164,341)	
Total	(17,890,156)	(17,890,156)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(54,179)	
Compensated absences	(501,198)	
Lease-purchase agreements	(498,334)	
Qualified school construction bonds payable	(1,205,000)	
School improvement bonds	(165,000)	
Total	(2,423,711)	(2,423,711)
Net position of governmental activities	\$	(16,462,899)

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, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 5,425,983	\$ 200,425	\$ 5,626,408
Tuition	442,776	-	442,776
Transportation fees	-	54	54
Earnings on investments	4,450	197	4,647
Charges for services	-	227,475	227,475
Extracurricular	-	80,176	80,176
Classroom materials and fees	22,920	-	22,920
Rental income	60,640	-	60,640
Contributions and donations	24,589	100	24,689
Contract services	22,289	-	22,289
Other local revenues	36,367	-	36,367
Intergovernmental - state	8,309,013	38,770	8,347,783
Intergovernmental - federal	-	842,261	842,261
Total revenues	<u>14,349,027</u>	<u>1,389,458</u>	<u>15,738,485</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,455,608	36,038	5,491,646
Special	1,001,091	555,094	1,556,185
Vocational	1,689	-	1,689
Other	603,779	-	603,779
Support services:			
Pupil	692,551	-	692,551
Instructional staff	1,423,213	-	1,423,213
Board of education	60,011	-	60,011
Administration	1,067,155	-	1,067,155
Fiscal	382,870	1,651	384,521
Business	-	-	-
Operations and maintenance	1,253,046	194,880	1,447,926
Pupil transportation	932,438	-	932,438
Central	37,074	-	37,074
Operation of non-instructional services:			
Food service operations	-	397,056	397,056
Extracurricular activities	291,357	145,201	436,558
Facilities acquisition and construction	-	9,679	9,679
Debt service:			
Principal retirement	79,799	95,000	174,799
Interest and fiscal charges	24,448	60,042	84,490
Total expenditures	<u>13,306,129</u>	<u>1,494,641</u>	<u>14,800,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,042,898</u>	<u>(105,183)</u>	<u>937,715</u>
Other financing sources (uses):			
Sale of bonds	-	165,000	165,000
Transfers in	-	64,093	64,093
Transfers (out)	<u>(64,093)</u>	<u>-</u>	<u>(64,093)</u>
Total other financing sources (uses)	<u>(64,093)</u>	<u>229,093</u>	<u>165,000</u>
Net change in fund balances	978,805	123,910	1,102,715
Fund balances at beginning of year	223,919	139,765	363,684
(Decrease) in reserve for inventory	(3,375)	(4,908)	(8,283)
Fund balances at end of year	\$ 1,199,349	\$ 258,767	\$ 1,458,116

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, 2015

Net change in fund balances - total governmental funds	\$	1,102,715
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 167,170	
Current year depreciation	(297,139)	
Total		(129,969)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(8,283)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(754,201)	
Intergovernmental	102,791	
Total		(651,410)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		174,799
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(165,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		2,424
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,049,483
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(681,004)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(37,411)
Change in net position of governmental activities	\$	656,344

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,006,261	\$ 2,974,327	\$ 2,974,328	\$ 1
Tuition	502,160	442,775	442,775	-
Earnings on investments	3,500	4,399	4,399	-
Rental income	46,788	60,640	60,640	-
Contributions and donations	562	3,800	3,800	-
Contract services.	36,684	22,289	22,289	-
Intergovernmental - state	7,443,928	7,691,993	7,691,992	(1)
Total revenues	<u>11,039,883</u>	<u>11,200,223</u>	<u>11,200,223</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,832,902	2,751,436	2,751,436	-
Special.	1,176,159	1,024,515	1,024,515	-
Vocational.	89,168	16,503	16,503	-
Other.	543,327	603,779	603,779	-
Support services:				
Pupil.	576,926	585,212	585,212	-
Instructional staff	1,047,495	1,084,677	1,084,677	-
Board of education	64,425	65,626	65,626	-
Administration.	1,029,669	1,071,998	1,071,998	-
Fiscal	349,773	344,398	344,398	-
Operations and maintenance.	1,136,941	1,051,946	1,051,946	-
Pupil transportation	1,097,024	1,062,486	1,062,486	-
Central.	28,974	48,921	48,921	-
Extracurricular activities.	377,878	374,636	374,636	-
Facilities acquisition and construction	79,150	28,500	28,500	-
Total expenditures	<u>10,429,811</u>	<u>10,114,633</u>	<u>10,114,633</u>	<u>-</u>
Excess of revenues over expenditures.	<u>610,072</u>	<u>1,085,590</u>	<u>1,085,590</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	61,500	124,787	124,787	-
Transfers (out).	(69,975)	(69,678)	(69,678)	-
Sale of capital assets	2,061	1,062	1,062	-
Total other financing sources (uses)	<u>(6,414)</u>	<u>56,171</u>	<u>56,171</u>	<u>-</u>
Net change in fund balance	603,658	1,141,761	1,141,761	-
Fund balance at beginning of year	1,006,760	1,006,760	1,006,760	-
Prior year encumbrances appropriated . .	189,839	189,839	189,839	-
Fund balance at end of year	\$ 1,800,257	\$ 2,338,360	\$ 2,338,360	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2015

	Agency
Assets:	
Equity in pooled cash	
and cash equivalents	\$ 41,611
Total assets.	\$ 41,611
 Liabilities:	
Accounts payable.	\$ 75
Due to students.	41,536
Total liabilities	\$ 41,611

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, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is staffed by 54 non-certified employees and 106 certified full-time teaching personnel who provide services to 1,505 students and other community members. The District currently operates three instructional buildings, one athletic building, and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

BLENDED COMPONENT UNIT

Champion School Building Corporation (the "Corporation")

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

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

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

Trumbull Career and Technical Center

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

INSURANCE RATING AND PURCHASING POOLS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's 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) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures related to debt service activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2015 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflects the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2015.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2015. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2015, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2015.

Under existing Ohio statute, interest earnings are assigned to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$4,450, which includes \$332 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position. The District reported no interfund balances at June 30, 2015.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least fifteen 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 leave and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

M. Prepayments

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

N. Net Position

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

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

O. Estimates

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

P. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Q. Pensions

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 13 to the financial statements, and added required supplementary information which is presented on pages 62 - 68.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The District has also restated net position to correct an error previously reported in the balance of the athletic facilities lease purchase obligation. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 1,135,346
Deferred outflows - payments subsequent to measurement date	951,585
Net pension liability	(19,210,220)
Correction of lease-purchase balance	4,046
Restated net position at July 1, 2014	\$ (17,119,243)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At June 30, 2015, the District had \$601 in undeposited cash on hand, which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$2,965,434. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$2,723,993 of the District's bank balance of \$2,990,247 was exposed to custodial risk as discussed below, while \$266,254 was covered by the FDIC.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2015, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ <u> 2</u>	\$ <u> 2</u>

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,965,434
Investments	2
Cash on hand	<u>601</u>
Total	<u>\$ 2,966,037</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,924,426
Agency fund	<u>41,611</u>
Total	<u>\$ 2,966,037</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2015 consisted of the following, as reported on the fund financial statements:

<u>Transfer to nonmajor governmental fund from:</u>	<u>Amount</u>
General	<u>\$ 64,093</u>

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$33,871 in the general fund and \$540 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$18,075 in the general fund and \$283 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 167,862,630	98.00	\$ 162,159,870	97.76
Public utility personal	<u>3,433,550</u>	<u>2.00</u>	<u>3,715,480</u>	<u>2.24</u>
Total	<u>\$ 171,296,180</u>	<u>100.00</u>	<u>\$ 165,875,350</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 48.15		 \$ 48.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 6,298,905
Accounts	1,950
Intergovernmental	357,481
Accrued interest	<u>521</u>
 Total receivables	 <u>\$ 6,658,857</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, 2015

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2015</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 38,950	\$ -	\$ -	\$ 38,950
Total capital assets, not being depreciated	<u>38,950</u>	<u>-</u>	<u>-</u>	<u>38,950</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	69,711	-	-	69,711
Buildings and improvements	7,190,657	-	-	7,190,657
Furniture and equipment	2,127,561	88,045	(6,336)	2,209,270
Vehicles	1,274,976	79,125	-	1,354,101
Total capital assets, being depreciated	<u>10,662,905</u>	<u>167,170</u>	<u>(6,336)</u>	<u>10,823,739</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(47,314)	(2,173)	-	(49,487)
Buildings and improvements	(6,301,036)	(156,060)	-	(6,457,096)
Furniture and equipment	(1,751,912)	(80,106)	6,336	(1,825,682)
Vehicles	(981,050)	(58,800)	-	(1,039,850)
Total accumulated depreciation	<u>(9,081,312)</u>	<u>(297,139)</u>	<u>6,336</u>	<u>(9,372,115)</u>
Governmental activities capital assets, net	<u>\$ 1,620,543</u>	<u>\$ (129,969)</u>	<u>\$ -</u>	<u>\$ 1,490,574</u>

Depreciation expense was charged to governmental activities as follows:

<u>Instruction:</u>	
Regular	\$ 123,505
Special	1,286
Vocational	3,301
<u>Support services:</u>	
Administration	4,958
Fiscal	155
Operations and maintenance	35,869
Pupil transportation	51,175
Extracurricular activities	72,798
Food service operations	<u>4,092</u>
Total depreciation expense	<u>\$ 297,139</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$64,531. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was \$29,039, leaving a current book value of \$35,492. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2015 totaled \$12,518 and \$2,041, 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, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 14,558
2017	14,558
2018	<u>8,492</u>
Total minimum lease payments	37,608
Less: amount representing interest	<u>(2,325)</u>
Total	<u>\$ 35,283</u>

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

A liability corresponding to this capital lease agreement is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2015 totaled \$6,371 and \$596, respectively, paid by the general fund.

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 8,234
2017	7,601
2018	<u>3,801</u>
Total minimum lease payments	19,636
Less: amount representing interest	<u>(740)</u>
Total	<u>\$ 18,896</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2015</u>	Amounts Due in <u>One Year</u>
Qualified school construction bonds (2010)	\$ 430,000	\$ -	\$ (35,000)	\$ 395,000	\$ 35,000
Qualified school construction bonds (2011)	870,000	-	(60,000)	810,000	65,000
School improvement bonds (2015)	-	165,000	-	165,000	54,007
Net pension liability	19,210,220	-	(3,045,879)	16,164,341	-
Capital lease obligations	73,068	-	(18,889)	54,179	20,892
Lease-purchase agreement	559,244	-	(60,910)	498,334	63,286
Compensated absences	<u>465,303</u>	<u>141,624</u>	<u>(46,039)</u>	<u>560,888</u>	<u>111,033</u>
Total governmental activities long-term liabilities	<u>\$ 21,607,835</u>	<u>\$ 306,624</u>	<u>\$ (3,266,717)</u>	<u>\$ 18,647,742</u>	<u>\$ 349,218</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ended,	Qualified School Construction Bonds (2010)		
	Principal	Interest	Total
2016	\$ 35,000	\$ 7,286	\$ 42,286
2017	35,000	6,610	41,610
2018	40,000	5,886	45,886
2019	40,000	5,114	45,114
2020	40,000	4,342	44,342
2021 - 2025	205,000	10,082	215,082
Total	<u>\$ 395,000</u>	<u>\$ 39,320</u>	<u>\$ 434,320</u>

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

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

Fiscal Year Ended,	Qualified School Construction Bonds (2011)		
	Principal	Interest	Total
2016	\$ 65,000	\$ 48,205	\$ 113,205
2017	65,000	44,175	109,175
2018	65,000	40,145	105,145
2019	65,000	36,115	101,115
2020	75,000	31,775	106,775
2021 - 2025	375,000	112,375	487,375
2026	100,000	11,625	111,625
Total	<u>\$ 810,000</u>	<u>\$ 324,415</u>	<u>\$ 1,134,415</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Capital assets consisting of building improvements have been capitalized in the amount of \$1,100,000. This amount represents the present value of the minimum lease-purchase agreement payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was \$715,000, leaving a current book value of \$385,000. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2015 totaled \$60,910 and \$21,811, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease-purchase agreement payments required under the lease-purchase agreement and the present value of the future minimum lease-purchase agreement payments as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 82,721
2017	82,721
2018	82,721
2019	82,721
2020	82,721
2021 - 2022	<u>165,440</u>
Total minimum lease-purchase agreement payments	579,045
Less: amount representing interest	<u>(80,711)</u>
Total	<u>\$ 498,334</u>

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

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

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

<u>Fiscal Year</u>	<u>Current Interest - Series 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 54,007	\$ 3,118	\$ 57,125
2017	54,961	2,164	57,125
2018	<u>56,032</u>	<u>1,093</u>	<u>57,125</u>
Total	<u>\$ 165,000</u>	<u>\$ 6,375</u>	<u>\$ 171,375</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$13,558,782 and an unvoted debt margin of \$165,875.

NOTE 11 - COMPENSATED ABSENCES

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 2015, 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 2015, the District participated in the Ohio School Board Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

C. Health Insurance

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$204,047 for fiscal year 2015. Of this amount \$28,510 is reported as pension obligation payable.

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TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$845,436 for fiscal year 2015. Of this amount, \$137,284 is reported as pension obligation payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,758,872	\$ 13,405,469	\$ 16,164,341
Proportion of the net pension liability	0.05451300%	0.05511330%	
Pension expense	\$ 160,999	\$ 520,005	\$ 681,004

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 23,481	\$ 129,057	\$ 152,538
District contributions subsequent to the measurement date	<u>204,047</u>	<u>845,436</u>	<u>1,049,483</u>
Total deferred outflows of resources	<u>\$ 227,528</u>	<u>\$ 974,493</u>	<u>\$ 1,202,021</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 447,773</u>	<u>\$ 2,480,063</u>	<u>\$ 2,927,836</u>
Total deferred inflows of resources	<u>\$ 447,773</u>	<u>\$ 2,480,063</u>	<u>\$ 2,927,836</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,049,483 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (106,073)	\$ (587,752)	\$ (693,825)
2017	(106,073)	(587,752)	(693,825)
2018	(106,073)	(587,752)	(693,825)
2019	<u>(106,073)</u>	<u>(587,752)</u>	<u>(693,825)</u>
Total	<u>\$ (424,292)</u>	<u>\$ (2,351,008)</u>	<u>\$ (2,775,300)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,936,090	\$ 2,758,872	\$ 1,768,729

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,191,391	\$ 13,405,469	\$ 8,512,527

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$27,598.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$40,044, \$34,770, and \$36,597, respectively. For fiscal year 2015, 86.03 percent has been contributed, with the balance being reported as pension obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$57,478, and \$58,332 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) 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:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ 1,141,761
Net adjustment for revenue accruals	3,194
Net adjustment for expenditure accruals	88,167
Net adjustment for other sources/uses	(120,264)
Funds budgeted elsewhere	(300,790)
Adjustment for encumbrances	<u>166,737</u>
GAAP basis	<u>\$ 978,805</u>

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

**CHAMPION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

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

**CHAMPION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2014	\$ -
Current year set-aside requirement	255,156
Current year qualifying expenditures	(189,818)
Current year offsets	<u>(114,833)</u>
Total	<u>\$ (49,495)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u><u>\$ -</u></u>

NOTE 18 - COMMITMENTS

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 150,085
Nonmajor governmental funds	<u>160,978</u>
Total	<u><u>\$ 311,063</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.05451300%	0.05451300%
District's proportionate share of the net pension liability	\$ 2,758,872	\$ 3,241,713
District's covered-employee payroll	\$ 1,584,040	\$ 1,457,283
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	222.45%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.05511333%	0.05511333%
District's proportionate share of the net pension liability	\$ 13,405,469	\$ 15,968,507
District's covered-employee payroll	\$ 5,631,054	\$ 5,833,215
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	273.75%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 204,047	\$ 219,548	\$ 201,688	\$ 201,339	\$ 187,557
Contributions in relation to the contractually required contribution	<u>(204,047)</u>	<u>(219,548)</u>	<u>(201,688)</u>	<u>(201,339)</u>	<u>(187,557)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,548,156	\$ 1,584,040	\$ 1,457,283	\$ 1,496,944	\$ 1,492,100
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 211,331	\$ 155,671	\$ 149,227	\$ 154,637	\$ 157,472
<u>(211,331)</u>	<u>(155,671)</u>	<u>(149,227)</u>	<u>(154,637)</u>	<u>(157,472)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,560,790	\$ 1,582,022	\$ 1,519,623	\$ 1,447,912	\$ 1,488,393
13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 845,436	\$ 732,037	\$ 758,318	\$ 771,880	\$ 809,722
Contributions in relation to the contractually required contribution	<u>(845,436)</u>	<u>(732,037)</u>	<u>(758,318)</u>	<u>(771,880)</u>	<u>(809,722)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,038,829	\$ 5,631,054	\$ 5,833,215	\$ 5,937,538	\$ 6,228,631
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 816,912	\$ 840,381	\$ 847,171	\$ 861,463	\$ 861,856
<u>(816,912)</u>	<u>(840,381)</u>	<u>(847,171)</u>	<u>(861,463)</u>	<u>(861,856)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,283,938	\$ 6,464,469	\$ 6,516,700	\$ 6,626,638	\$ 6,629,662
13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster</i>				
National School Lunch Program	2015	10.555	\$ 184,990	\$ 31,146
<i>Total Child Nutrition Cluster</i>			<u>184,990</u>	<u>31,146</u>
Total U.S. Department of Agriculture			184,990	31,146
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
<i>Title I</i>				
Title I Grants to Local Education Agencies	2014	84.010	44,139	-
Title I Grants to Local Education Agencies	2015	84.010	<u>240,338</u>	<u>-</u>
<i>Total Title I</i>			284,477	-
<i>Special Education</i>				
Special Education Grants to States - IDEA Part B	2014	84.027	52,821	-
Special Education Grants to States - IDEA Part B	2015	84.027	<u>207,521</u>	<u>-</u>
<i>Total Special Education</i>			260,342	-
<i>Improving Teacher Quality</i>				
Improving Teacher Quality State Grants	2015	84.367	<u>24,186</u>	<u>-</u>
<i>Total Improving Teacher Quality State Grants</i>			<u>24,186</u>	<u>-</u>
Total U.S. Department of Education			569,005	-
Total Federal Awards Expenditures			<u>\$ 753,995</u>	<u>\$ 31,146</u>

The accompanying notes are an integral part of this schedule.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Champion Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2015. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

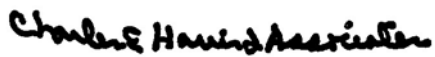
Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 14, 2015.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 14, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
 APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Champion Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in findings 2015-001 and 2015-002 in the accompanying schedule of findings, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-001	84.027	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles
2015-002	84.027	Special Education Cluster (IDEA)	Cash Management

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, the Champion Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Special Education Cluster (IDEA)* for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-001 and 2015-002 to be material weaknesses.

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

This report only describes the scope of our tests of internal control compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 14, 2015

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified except Allowable Costs/Cost Principles and Cash Management were qualified.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-001
CFDA Title and Number	Special Education Cluster (IDEA), CFDA # 84.027
Federal Award Number/Year	2014/2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Allowable Costs and Cost Principles

2 C.F.R. Part 225, Appendix B, Section 8(h)(3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

2 C.F.R. Part 225, Appendix B, Sections 8(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:

- a. More than one federal award;
- b. A federal award and a non-federal award;
- c. An indirect cost activity and a direct activity;
- d. Two or more indirect activities which are allocated using different allocation bases; or
- e. An unallowable activity and a direct or indirect cost activity.

2 C.F.R. Part 225, Appendix B, paragraph 8(h)(5) states that personnel activity reports or equivalent documentation must meet the following standards:

- a. They must reflect an after-the-fact distribution of the actual activity of each employee;
- b. They must account for the total activity for which each employee is compensated;
- c. They must be prepared at least monthly and must coincide with one or more pay periods; and,
- d. They must be signed by the employee.

These requirements are applicable to both federal and state grants administered for Ohio Department of Education resources.

The District did not provide single funded certifications for fiscal year 2015 for any employee paid from the Special Education Grant Fund. The District may have other grants to which these requirements apply. Alternate procedures were performed to verify that all costs charged to federal programs were allowable.

We recommend that the District implement procedures to ensure that either single-funded certifications or time and effort documentation is maintained to support employees' salaries and fringe benefits paid from federal grant funds.

Management's Response:

See the Corrective Action Plan on page 80 for management's response.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2015-002
CFDA Title and Number	Special Education Cluster (IDEA), CFDA # 84.027
Federal Award Number/Year	2014/2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

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

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

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

During fiscal year 2015, the District requested advances of Special Education grant funds for five months in which the total requested was not expended before the subsequent request was made, resulting in a positive cash balance.

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

Management's Response:

See the Corrective Action Plan on page 80 for management's response.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

The prior audit report, for the year ended June 30, 2014, reported no material citations or recommendations.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	We have developed procedures to alleviate excess advances by requesting funds after expenditures have occurred. We believed the funds requested during this audit period were to be expended within the time requirements. This requirement was met in prior audits.	Immediately	Brian Gillespie, Treasurer
2015-002	We have developed a checklist outlining timelines. Although the certifications may have been late, they were acquired. This requirement was met in prior periods.	Immediately	Brian Gillespie, Treasurer

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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
MARCH 17, 2016**