



**Auditor of State
Betty Montgomery**

CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Champion Board of Education
Trumbull County
5759 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Champion Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Champion Local School District, Trumbull County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

June 4, 2003

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**Champion Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Fund Type	Fund Type	General	General	2002
		Revenue	Service	Project	Enterprise	Trust and Agency	Fixed Assets	Long Term	(Memorandum)
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 2,550,616	138,820	0	1,246,888	560	145,150	0	0	\$ 4,082,034
Taxes Receivable	3,981,827	1,779,887	0	96,070	0	0	0	0	5,857,784
Due from Other Funds	0	0	0	0	0	205,881	0	0	205,881
Intergovernmental Receivable	20,427	11,031	0	0	0	0	0	0	31,458
Accounts Receivable	48,928	462	0	5,737	223	307	0	0	55,657
Supply Inventory	7,860	0	0	0	2,288	0	0	0	10,148
Inventory for Resale	0	0	0	0	7,171	0	0	0	7,171
Property, Plant & Equipment	0	0	0	0	140,221	0	9,901,286	0	10,041,507
Accumulated Depreciation, Where Applicable	0	0	0	0	(77,630)	0	(6,601,122)	0	(6,678,752)
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	2,730,217	2,730,217
Total Assets and Other Debits	\$ 6,609,658	1,930,200	0	1,348,695	72,833	351,338	3,300,164	2,730,217	\$ 16,343,105

(Continued)

Champion Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Fund Type	Trust and	General	General	2002
		Revenue	Service	Project	Enterprise	Agency	Fixed Assets	Long Term	(Memorandum)
Liabilities:									
Due to Other Funds	\$ 192,031	2,568	0	0	11,282	0	0	0	\$ 205,881
Intergovernmental Payables	4,660	1,907	0	0	55	312,352	0	95,383	414,357
Accounts Payable	125,286	3,365	0	132,380	16	331	0	0	261,378
Accrued Salaries and Benefits	853,479	324,309	0	0	7,783	0	0	0	1,185,571
Deferred Revenue	3,972,464	1,779,887	0	96,070	0	0	0	0	5,848,421
Lease Obligation Payable	0	0	0	0	0	0	0	1,100,000	1,100,000
Due to Others	0	0	0	0	0	35,117	0	0	35,117
Notes Payable	0	0	0	0	0	0	0	340,873	340,873
Compensated Absences Payable	13,538	0	0	0	16,528	0	0	1,193,961	1,224,027
Total Liabilities	5,161,458	2,112,036	0	228,450	35,664	347,800	0	2,730,217	10,615,625
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	3,300,164	0	3,300,164
Retained Earnings	0	0	0	0	37,169	0	0	0	37,169
Fund Balances:									
Reserved for Supply Inventory	7,860	0	0	0	0	0	0	0	7,860
Reserved for Encumbrances	229,854	17,159	0	1,031,322	0	0	0	0	1,278,335
Reserved for Future Appropriation	9,363	0	0	0	0	0	0	0	9,363
Unreserved Fund Balance	1,201,123	(198,995)	0	88,923	0	3,538	0	0	1,094,589
Total Fund Balances	1,448,200	(181,836)	0	1,120,245	0	3,538	0	0	2,390,147
Total Fund Balances/Retained Earnings and Other	1,448,200	(181,836)	0	1,120,245	37,169	3,538	3,300,164	0	5,727,480
Total Liabilities, Fund Equity, and Other Credits	\$ 6,609,658	1,930,200	0	1,348,695	72,833	351,338	3,300,164	2,730,217	\$ 16,343,105

See Accompanying Notes to the General Purpose Financial Statements

Champion Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	(Memorandum) (Only)
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 2,996,016	1,760,427	91,882	76,856	0	\$ 4,925,181
Tuition	335,423	0	0	0	0	335,423
Transportation Fees	0	1,015	0	0	0	1,015
Earnings on Investments	75,597	0	0	10,119	0	85,716
Extracurricular Activities	0	86,816	0	0	0	86,816
Miscellaneous	94,799	101,569	0	0	0	196,368
Revenue from State Sources						
Unrestricted Grants-in-Aid	6,902,975	214,491	0	10,470	0	7,127,936
Restricted Grants-in-Aid	32,952	28,537	0	28,386	0	89,875
Revenue from Federal Sources						
Restricted Grants in Aid	0	198,005	0	0	0	198,005
Total Revenue	<u>10,437,762</u>	<u>2,390,860</u>	<u>91,882</u>	<u>125,831</u>	<u>0</u>	<u>13,046,335</u>
EXPENDITURES:						
Instruction						
Regular Instruction	4,212,790	1,705,457	0	41,954	0	5,960,201
Special Instruction	1,412,842	152,291	0	0	0	1,565,133
Vocational Instruction	175,259	0	0	0	0	175,259
Other Instruction	399,009	0	0	0	0	399,009
Supporting Services						
Supporting Services-Pupils	622,665	14,252	0	0	94	637,011
Supporting Services-Instructional Staff	315,438	17,907	0	23,352	0	356,697
Supporting Services-Board of Education	30,044	0	0	0	0	30,044
Supporting Services-Administration	1,178,027	(13,628)	0	0	0	1,164,399
Fiscal Services	309,977	37,000	0	2,527	0	349,504
Operation & Maintenance-Plant	927,893	343,941	0	94,887	0	1,366,721
Supporting Services-Pupil Transportation	704,480	0	0	0	0	704,480
Supporting Services-Central	3,580	6,610	0	0	0	10,190
Extracurricular Activities						
Academic & Subject Oriented	20,872	26,013	0	0	0	46,885
Sports Oriented	198,743	97,359	0	0	0	296,102
Co-Curricular Activities	16,989	0	0	0	0	16,989
Capital Outlay						
Architecture & Engineering	0	0	0	4,735	0	4,735
Building Improvement	0	0	0	130,095	0	130,095
Debt Service						
Repayment of Debt	0	0	91,882	0	0	91,882
Total Expenditures	<u>10,528,608</u>	<u>2,387,202</u>	<u>91,882</u>	<u>297,550</u>	<u>94</u>	<u>13,305,336</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,846)	3,658	0	(171,719)	(94)	(259,001)
Other Financing Sources and Uses:						
Other Financing Sources						
Sale of Notes	0	0	0	1,099,900	0	1,099,900
Sale & Loss of Assets	6,561	0	0	0	0	6,561
Transfers-In	0	40,795	0	0	0	40,795
Refund of Prior Year Expenses	68,443	0	0	0	0	68,443
Other Financing Uses						
Transfer-Out	(58,022)	0	0	0	0	(58,022)
Net Other Financing Sources and Uses	<u>16,982</u>	<u>40,795</u>	<u>0</u>	<u>1,099,900</u>	<u>0</u>	<u>1,157,677</u>
Excess (Deficiency) of Revenue Receipts and Other Sources Over Expenditure Disbursement and Other Uses	(73,864)	44,453	0	928,181	(94)	898,676
Increase (Decrease) Inventory	6,852	0	0	0	0	6,852
Beginning Fund Balance	1,515,212	(226,289)	0	192,064	3,632	1,484,619
Ending Fund Balance	<u>\$ 1,448,200</u>	<u>(181,836)</u>	<u>0</u>	<u>1,120,245</u>	<u>3,538</u>	<u>\$ 2,390,147</u>

See Accompanying Notes to the General Purpose Financial Statements

Champion Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,990,664	\$ 2,990,664	0	1,760,427	1,760,427	\$ 0
Tuition	310,736	310,736	0	0	0	0
Transportation Fees	0	0	0	1,509	1,509	0
Earnings on Investment	82,509	82,509	0	0	0	0
Extracurricular Activities	0	0	0	86,816	86,816	0
Miscellaneous	84,569	84,569	0	102,774	102,774	0
State Unrestricted Grants-in-Aid	6,902,975	6,902,975	0	214,491	214,491	0
State Restricted Grants-in-Aid	32,952	32,952	0	25,087	25,087	0
Federal Restricted Grants-in-Aid	0	0	0	190,424	190,424	0
Total Revenue	10,404,405	10,404,405	0	2,381,528	2,381,528	0
Expenditures:						
Regular Instruction	4,220,391	4,220,391	0	1,715,112	1,715,112	0
Special Instruction	1,391,206	1,391,206	0	153,020	153,020	0
Vocational Instruction	179,417	179,417	0	0	0	0
Other Instruction	440,727	440,727	0	0	0	0
Support Services-Pupils	620,129	620,129	0	14,433	14,433	0
Support Services-Instructional Staff	329,772	329,772	0	19,455	19,455	0
Support Services-Board of Education	95,041	95,041	0	0	0	0
Support Services-Administration	1,269,052	1,269,052	0	2,470	2,470	0
Fiscal Services	315,880	315,880	0	37,000	37,000	0
Operation & Maintenance-Plant	933,679	933,679	0	380,321	380,321	0
Support Services-Transportation	810,955	810,955	0	0	0	0
Support Services-Central	3,580	3,580	0	6,610	6,610	0
Academic & Subject Oriented	21,137	21,137	0	26,139	26,139	0
Sports Oriented	200,896	200,896	0	113,086	113,086	0
Co-Curricular Activities	17,284	17,284	0	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	10,849,146	10,849,146	0	2,467,646	2,467,646	0
Excess of Revenue Over (Under) Expenditures	(444,741)	(444,741)	0	(86,118)	(86,118)	0
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Sale & Loss of Assets	6,681	6,681	0	0	0	0
Transfers-In	0	0	0	40,795	40,795	0
Advances-In	3,835	3,835	0	0	0	0
Refund of Prior Years Expenditures	66,419	66,419	0	28	28	0
Transfers-Out	(58,022)	(58,022)	0	0	0	0
Total Other Sources (Uses)	18,913	18,913	0	40,823	40,823	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(425,828)	(425,828)	0	(45,295)	(45,295)	0
Beginning Fund (Deficit) Balance	2,184,924	2,184,924	--	118,922	118,922	--
Prior Year Carry Over Encumbrances	425,119	425,119	--	44,227	44,227	--
Ending Fund (Deficit) Balance	\$ 2,184,215	2,184,215	0	117,854	117,854	\$ 0

(Continued)

Champion Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Debt Service Funds			Capital Project Funds		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Taxes	\$ 91,882	91,882	0	76,856	76,856	\$ 0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	5,595	5,595	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	10,470	10,470	0
State Restricted Grants-in-Aid	0	0	0	28,385	28,385	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	91,882	91,882	0	121,306	121,306	0
Expenditures:						
Regular Instruction	0	0	0	41,954	41,954	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	23,352	23,352	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	2,527	2,527	0
Operation & Maintenance-Plant	0	0	0	94,867	94,867	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Architecture & Engineering	0	0	0	4,735	4,735	0
Facilities Acquisition & Construction	0	0	0	1,161,418	1,161,418	0
Repayment of Debt	91,882	91,882	0	0	0	0
Total Expenditures	91,882	91,882	0	1,328,853	1,328,853	0
Excess of Revenue Over						
(Under) Expenditures	0	0	0	(1,207,547)	(1,207,547)	0
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	1,099,900	1,099,900	0
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	1,099,900	1,099,900	0
Excess of Revenues & Other Financing						
Sources Over (Under) Expenditures						
and Other Financing Uses	0	0	0	(107,647)	(107,647)	0
Beginning Fund (Deficit) Balance	0	0	--	184,635	184,635	--
Prior Year Carry Over Encumbrances	0	0	--	6,217	6,217	--
Ending Fund (Deficit) Balance	\$ 0	0	0	83,205	83,205	\$ 0

(Continued)

Champion Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	4,919,829	4,919,829	\$ 0
Tuition	0	0	0	310,736	310,736	0
Transportation Fees	0	0	0	1,509	1,509	0
Earnings on Investment	0	0	0	88,104	88,104	0
Extracurricular Activities	0	0	0	86,816	86,816	0
Miscellaneous	0	0	0	187,343	187,343	0
State Unrestricted Grants-in-Aid	0	0	0	7,127,936	7,127,936	0
State Restricted Grants-in-Aid	0	0	0	86,424	86,424	0
Federal Restricted Grants-in-Aid	0	0	0	190,424	190,424	0
Total Revenue	0	0	0	12,999,121	12,999,121	0
Expenditures:						
Regular Instruction	0	0	0	5,977,457	5,977,457	0
Special Instruction	0	0	0	1,544,226	1,544,226	0
Vocational Instruction	0	0	0	179,417	179,417	0
Other Instruction	0	0	0	440,727	440,727	0
Support Services-Pupils	95	95	0	634,657	634,657	0
Support Services-Instructional Staff	0	0	0	372,579	372,579	0
Support Services-Board of Education	0	0	0	95,041	95,041	0
Support Services-Administration	0	0	0	1,271,522	1,271,522	0
Fiscal Services	0	0	0	355,407	355,407	0
Operation & Maintenance-Plant	0	0	0	1,408,867	1,408,867	0
Support Services-Transportation	0	0	0	810,955	810,955	0
Support Services-Central	0	0	0	10,190	10,190	0
Academic & Subject Oriented	0	0	0	47,276	47,276	0
Sports Oriented	0	0	0	313,982	313,982	0
Co-Curricular Activities	0	0	0	17,284	17,284	0
Architecture & Engineering	0	0	0	4,735	4,735	0
Building Improvement	0	0	0	1,161,418	1,161,418	0
Repayment of Debt	0	0	0	91,882	91,882	0
Total Expenditures	95	95	0	14,737,622	14,737,622	0
Excess of Revenue Over						
(Under) Expenditures	(95)	(95)	0	(1,738,501)	(1,738,501)	0
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	1,099,900	1,099,900	0
Sale & Loss of Assets	0	0	0	6,681	6,681	0
Transfers-In	0	0	0	40,795	40,795	0
Advances-In	0	0	0	3,835	3,835	0
Refund of Prior Years Expenditures	0	0	0	66,447	66,447	0
Transfers-Out	0	0	0	(58,022)	(58,022)	0
Total Other Sources (Uses)	0	0	0	1,159,636	1,159,636	0
Excess of Revenues & Other Financing						
Sources Over (Under) Expenditures						
and Other Financing Uses	(95)	(95)	0	(578,865)	(578,865)	0
Beginning Fund (Deficit) Balance	3,633	3,633	--	2,492,114	2,492,114	--
Prior Year Carry Over Encumbrances	0	0	--	475,563	475,563	--
Ending Fund (Deficit) Balance	\$ 3,538	3,538	0	2,388,812	2,388,812	\$ 0

See Accompanying Notes to the General Purpose Statements

Champion Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2002

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 315,690
Classroom Materials & Fees	37,950
Total Operating Revenue	353,640
Operating Expenses:	
Salary and Wages	146,326
Employee Benefits	81,719
Purchase Services	5,190
Supplies and Materials	230,197
Other Expenses	19
Depreciation	855
Total Operating Expenses	464,306
Operating (Loss)	(110,666)
Non-Operating Revenues:	
Earnings on Investments	26
State Unrestricted Grants In-Aid	2,342
Federal Unrestricted Grants In-Aid	73,344
Federal Restricted Grants In-Aid	23,388
Other Revenue	667
Total Non-Operating Revenue	99,767
Non-Operating Expenses	
Loss on Disposal of Assets	(1,075)
Total Non-Operating Revenue	(1,075)
Net Income Before Operating Transfers	(11,974)
Operating Transfers	
Transfers-In	17,420
Total Operating Transfers	17,420
Net Income	5,446
Beginning Retained Earnings *See Note 12.	31,723
Retained Earnings at End of Year	\$ 37,169

See Accompanying Notes to the General Purpose Financial Statements

**Champion Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2002**

	Enterprise Funds
Cash Flows from Operating Activities	
Operating Loss	\$ (110,666)
Adjustment to Reconcile Operating Gain (Loss)	
To Net Cash used in Operating Activities:	
Depreciation	855
Net (Increase) Decrease in Assets:	
Accounts Receivable	105
Inventory	93
Inventory for Resale	384
Net Increase (Decrease) in Liabilities:	
Due to Other Funds	4,042
Intergovernmental Payable	(10,439)
Accounts Payable	(3,731)
Accrued Wages & Benefits	4,134
Deferred Revenue	(2,598)
Compensated Absences	1,118
Total Adjustments	(6,037)
Net Cash Used in Operating Activities	(116,703)
Cash Flows from Noncapital Financing Activities:	
Earnings on Investments	26
Net Advances from Other Funds	(3,835)
Operating Grants from State Sources	2,342
Operating Grants from Federal Sources	96,732
Transfers In	17,420
Other Net	667
Net Cash Provided by Noncapital Financing Sources	113,352
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(4,679)
Net Cash Provided by Capital Financing Activities	(4,679)
Net Increase (Decrease) in Cash & Cash Equivalents	(8,030)
Cash and Cash Equivalents at Beginning of Year	8,590
Cash and Cash Equivalents at End of Year	\$ 560

See Accompanying Notes to the General Purpose Financial Statements

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Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The reporting entity is comprised of the primary government and the component unit that is included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Champion Local School District this includes the Champion School Building Corporation.

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 organizations; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units 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.

Information in the following notes to the general purpose financial statements is applicable to the primary government. Information relative to the component unit is identified in Note 11 under Lease Obligation Payable.

Average daily membership (ADM) as of October 1, 2001, was 1,843. The District employed 5 administrative and 2 supervisory personnel, 126 certified employees and 83 non-certificated employees. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

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

The accompanying General Purpose Financial Statements comply with the provisions of (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

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

The Trumbull Career & Technical Center is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. Its board of education is appointed by the representative school districts. The District is not involved in the budgeting or management of the Trumbull Career & Technical Center. The District's students may attend the vocational school.

The District is not involved in the budgeting or management of the parent/teacher or booster clubs. The District is not responsible for any debt, and has no influence over the organizations or clubs.

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

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

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had no Internal Service Funds at June 30, 2002.

Fiduciary Fund Types

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

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

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no Non-Expendable Trust Funds at June 30, 2002.

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

Account Groups

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

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

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

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, rentals and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

The proprietary fund type and nonexpendable trust funds utilize the full accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

D. Budget and Budgetary Accounting

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

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

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in STAR Ohio during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For the District, all investment earnings accrue to the General Fund, Permanent Improvements Funds and Lunchroom Fund as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$75,597 for the General Fund and \$10,119 for the Permanent Improvement Funds and \$26 for the Lunchroom Fund. Total interest income earned in fiscal year was \$85,742.

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

F. Inventories

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items by using the non-allocation method. Prepaid items are expensed when purchased not when consumed.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. Capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. Depreciation for assets in the General Fixed Assets Account Group are recorded in the General Fixed Assets Account Group not in the acquiring governmental fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. 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 capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over an estimated useful life of the assets:

Description	Estimated Lives
Other Improvements	15 - 30 years
Buildings	15 - 30 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 15 years

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

I. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the District had \$205,881 in "Due to/from Other Funds" and no "interfund receivables/payables."

J. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 2002.

K. Compensated Absences

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

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

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

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

L. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2002, the District had no contributed capital.

M. Long-Term Obligations

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

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

N. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and inventories of materials and supplies. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue.

The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

P. Estimates

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

Q. Memorandum Only - Total Columns

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

Note 2. Budgetary Basis of Accounting

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

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

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 2. Budgetary Basis of Accounting (Continued)

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

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

	General Fund	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	\$ (73,864)	44,453	928,181	\$ (94)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenues	(33,357)	(9,332)	(4,525)	(1)
Due to Expenditures:				
Net Adjustments to Expenditures	(320,538)	(80,444)	(1,031,303)	0
Due to Other	1,931	28	0	0
Budget Basis	<u>\$ (425,828)</u>	<u>(45,295)</u>	<u>(107,647)</u>	<u>\$ (95)</u>

Note 3. Legal Compliance-Budgets

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The auditor's recommendations are included in a separate report.

Note 4 . Cash and Investments

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

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

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

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 4. Cash and Investments (continued)

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

Monies held by the District which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 4. Cash and Investments (continued)

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$110,506 and the bank balance was \$79,270. All of the bank balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value	Fair Value
	1	2	3		
Treasury Bonds	\$ 0	\$ 0	\$ 508,478	\$ 508,478	\$ 508,478
STAR Ohio	0	0	3,462,950	3,462,950	3,462,950
Total Investments				<u>\$ 3,971,428</u>	<u>\$ 3,971,428</u>

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

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 4. Cash and Investments (continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,082,034	\$ 0
Investments:		
Treasury Bonds	(508,478)	508,478
STAR Ohio	(3,462,950)	3,462,950
Total	<u>110,606</u>	<u>3,971,428</u>
Cash on Hand	(100)	0
GASB Statement No. 3	<u>\$ 110,506</u>	<u>\$ 3,971,428</u>

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or semi-annually. If paid annually, payment is due February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

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

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

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

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 5. Property Tax (continued)

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$43.25 per \$1,000 of assessed valuation and \$1.50 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the 2002 taxes were collected were as follows:

Real Property	\$ 132,465,300
Public Utility Personal Property	3,835,020
Tangible Personal Property	<u>13,827,412</u>
Total Assessed Value	<u><u>\$ 150,127,732</u></u>

Note 6. Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (rent and student fees), and 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Excess Cost	\$ <u>20,427</u>
Fund Total	20,427
Special Revenue:	
OECN Subsidy	3,450
Title I	<u>7,581</u>
Fund Total	<u>11,031</u>
Grand Total	<u><u>\$ 31,458</u></u>

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$248,016, \$218,688 and \$220,728, respectively; 46.23 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$144,222 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$897,384, \$747,552 and \$811,680, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$149,564 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$288,445 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$171,504.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 9. Compensated Absences

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

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

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

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

The Superintendent and Treasurer each receive 25 days of vacation leave, annually.

Service Retirement:

Classified Employees: Employees with five years of service in the District who elect to retire shall receive, in one lump sum payment for 33.34% up to a maximum of 60 days of their unused sick leave multiplied times the per diem rate at the time of retirement.

Certified Employees: Employees with five years of service in the District who elect to retire shall receive, in one lump sum payment for 20% up to a maximum of 65 days of their unused sick leave multiplied times the per diem rate at the time of retirement.

The Superintendent and Treasurer receive severance based on half of their accumulated sick leave.

Note 10. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending project at June 30, 2002.

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 11. General Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Intergovernmental Payable	\$ 78,930	95,383	78,930	\$ 95,383
Lease Obligation Payable	0	1,100,000	0	1,100,000
Energy Conservation Note	116,200	0	58,100	58,100
EPA Asbestos Note	309,703	0	26,930	282,773
Compensated Absences	968,735	1,193,961	968,735	1,193,961
Total	<u>\$ 1,473,568</u>	<u>2,389,344</u>	<u>1,132,695</u>	<u>\$ 2,730,217</u>

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

	Payment	Interest	Principal
FY 2003	\$ 61,508	3,408	\$ 58,100
Total	<u>\$ 61,508</u>	<u>3,408</u>	<u>\$ 58,100</u>

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

EPA Asbestos Note: The EPA Asbestos note was issued by the United States Federal Government to the District for the removal of asbestos from District buildings. This is a no interest note with the first payment due in May 1995, and amortized over an 18 year period.

	Payment
FY 2003	\$ 26,930
FY 2004	26,930
FY 2005	26,930
FY 2006	26,930
FY 2007	26,930
FY 2008 & Thereafter	148,123
Total	<u>\$ 282,773</u>

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 11. General Long-Term Debt

Lease Obligation Payable: The District entered into a lease contract with the Champion School Building Corporation to provide new athletic facilities including stadium bleachers, field house, all-weather track and concession/restroom facilities. The Champion School Building Corporation borrowed \$1,100,000 on March 27, 2002, at an interest rate of 4.75%. On May 1, 2002, it assigned the loan to the District. The lease will be repaid in equal installments over a 20 year period, beginning December 1, 2002. Lease payments will be funded by General Fund monies.

	Payment	Interest	Principal
FY 2003	\$ 85,142	35,414	\$ 49,728
FY 2004	85,142	49,888	35,254
FY 2005	85,142	48,213	36,929
FY 2006	85,142	46,459	38,683
FY 2007	85,142	44,622	40,520
FY 2008 & Thereafter	1,277,168	378,281	898,887
Total	<u>\$ 1,702,876</u>	<u>602,877</u>	<u>\$ 1,100,000</u>

Note 12. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance at 6/30/2001	Additions	Reductions	Balance at 6/30/2002
Governmental Activities				
Land	\$ 38,950	\$ 0	\$ 0	\$ 38,950
Buildings	5,951,374	0	(87,472)	5,863,902
Furniture and Equipment	2,959,455	257,405	(124,220)	3,092,640
Vehicles	915,077	100,440	(109,723)	905,794
Totals at Historical Cost	<u>9,864,856</u>	<u>357,845</u>	<u>(321,415)</u>	<u>9,901,286</u>
Less Accumulated Depreciation:				
Buildings	(4,289,386)	(138,990)	80,569	(4,347,807)
Furniture and Equipment	(1,762,058)	(166,355)	102,036	(1,826,377)
Vehicles	(429,759)	(71,846)	74,667	(426,938)
Total Accumulated Depreciation	<u>(6,481,203)</u>	<u>(377,191)</u>	<u>257,272</u>	<u>(6,601,122)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,383,653</u>	<u>\$ (19,346)</u>	<u>\$ (64,143)</u>	<u>\$ 3,300,164</u>

There was no significant construction in progress at June 30, 2002.

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Notes 12. Capital Assets (continued)

	Balance at 6/30/2001	Additions	Reductions	Balance at 6/30/2002
Business-Type Activities				
Equipment	\$ 138,173	\$ 4,677	\$ (2,629)	\$ 140,221
Totals at Historical Cost	138,173	4,677	(2,629)	140,221
Less Accumulated Depreciation:				
Equipment	(78,330)	(855)	1,555	(77,630)
Less Accumulated Depreciation	(78,330)	(855)	1,555	(77,630)
Business-Type Activities				
Capital Assets, Net	<u>\$ 59,843</u>	<u>\$ 3,822</u>	<u>\$ (1,074)</u>	<u>\$ 62,591</u>

Capital assets for June 30, 2002 were restated to account for an increase in the capitalization threshold to \$1,000. In addition the District has elected to begin calculating and reporting depreciation for the assets recorded in the General Fixed Assets Account Group in preparation for future GASB 34 implementation. This restatement had the following effect on fund equity as it was previously reported:

	Enterprise Funds	General Fixed Asset Account Group
Net Assets June 30, 2001	\$ 72,038	\$ 10,719,369
Depreciation Adjustments:		
Change in Depreciation	16,547	(6,481,203)
Change in Threshold:		
Capital Assets	(28,742)	(854,513)
Adjusted Net Assets at June 30, 2001	<u>\$ 59,843</u>	<u>\$ 3,383,653</u>
Retained Earning June 30, 2001	\$ 43,918	
Net Adjustments to Retaining Earnings	(12,195)	
Restated Retained Earning June 30, 2001	<u>\$ 31,723</u>	

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 13. Jointly Governed Organizations

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 administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents and Treasurers of the participating school districts are eligible to be voting members of the Governing Board. The Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and two treasurers, one from each county. The District was not represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of a complete set of separate financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Note 14. Risk Management

A. General Risk

The 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 2002, the District contracted with the Utica Insurance Company for property insurance with a \$1,000 deductible. Professional liability is protected by the Nationwide Mutual Insurance Company with a \$1,000,000 per occurrence and \$5,000,000 aggregate limit.

Vehicles are covered by the Nationwide Mutual Insurance Company and hold \$100 and \$1,000 deductibles for comprehensive and collision. Automobile liability has a \$300,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the last ten years.

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

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

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries paid. This calculated rate is based on accident history and administrative costs. The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 14. Risk Management (continued)

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

B. Health Insurance

The District has elected to provide various employee benefits through a consortium of school districts known as the Trumbull County Schools Insurance Consortium Association.

The District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$50,000 for all certified and administrative staff and their support staff and \$40,000 for all union and non-union full time classified staff. The Superintendent is covered by a \$150,000 policy and the Treasurer is covered by \$100,000 policy. The provider contracted through the Consortium is Medical Life Insurance Company. The premium is \$1.25 per \$10,000 of coverage.

The provider contracted through the Consortium for medical/surgical benefits is Medical Mutual. The District pays monthly premiums for traditional benefits of \$847.14 for family coverage or \$338.65 for individual coverage. Preferred Provider benefit premiums are \$623.69 for family coverage or \$240.83 for individual coverage per month. Health Maintenance Plan benefit premiums are \$987.83 for family coverage and \$434.09 for individual coverage per month. Prescription benefits are also provided by Medical Mutual, and the premiums for this coverage are \$133.67 monthly on a composite basis.

Dental insurance is provided through Oasis Trust. A third party administrator, Coresource, located in Columbus, Ohio, reviews and pays claims for the Consortium. Premiums for dental coverage are \$62.23 monthly on a composite basis. This dental coverage is available only to certified, administrative and non-union full time classified staff.

Union classified staff have dental coverage and hearing aid coverage also provided by Coresource with a composite rate of \$36.37.

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

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 15. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues	\$ 315,690	37,950	\$ 353,640
Operating Expenses:			
Depreciation	855	0	855
Other Expenses	425,132	38,319	463,451
Total Operating Expenses	425,987	38,319	464,306
Operating Income (loss)	(110,297)	(369)	(110,666)
Non Operating Revenues			
Earnings on Investments	26	0	26
Loss on Sale of Assets	(1,075)	0	(1,075)
Transfers In	13,289	4,131	17,420
Operating Grants	99,074	0	99,074
Other Income	667	0	667
Net Income	<u>\$ 1,684</u>	<u>3,762</u>	<u>\$ 5,446</u>
Net Working Capital	<u>\$ (27,641)</u>	<u>2,219</u>	<u>\$ (25,422)</u>
Total Assets	<u>\$ 70,614</u>	<u>2,219</u>	<u>\$ 72,833</u>
Total Fund Equity	<u>\$ 20</u>	<u>540</u>	<u>\$ 560</u>

Note 16. School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Champion Local School District
Trumbull County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 17. Statutory Reserves

The following table shows the set-aside and changes for the fiscal year:

	Textbook Acquisition	Capital Acquisition
Set aside Cash Balance as of June 30, 2001	\$ 0	\$ 0
Current Year Set-Aside Requirement	271,988	271,988
Qualifying Disbursements	<u>(390,936)</u>	<u>(311,227)</u>
Cash Balance Carried Forward to FY2003	<u>\$ (118,948)</u>	<u> </u>

Although the District had qualifying expenditures for capital maintenance during the year that reduced the set-aside amounts below zero, this extra amount may not be used to reduce the set-aside requirements of future years. However, the amount spent on textbooks can be carried forward to reduce the set-aside requirements of future years.

Note 18. Fund Deficits

Fund balances at June 30, 2002, included the following individual fund deficits:

Emergency Levy	\$ (265,998)
Title VI-B	\$ (1,393)

The deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate them. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	-	\$20,789	-	\$20,384
National School Lunch Program		10.555	73,344	-	73,344	-
Total Department of Agriculture - Nutrition Cluster			<u>73,344</u>	<u>20,789</u>	<u>73,344</u>	<u>20,384</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Educationally Deprived Children Local Educational Agencies - Title I Total	C1-S1-01 C1-S1-02	84.010	200 35,862 <u>36,062</u>	- - -	8,902 34,724 <u>43,626</u>	- - -
Special Education Cluster: Handicapped State Grants - Title VI-B	6B-SF-02P	84.027	98,375	-	98,375	-
Drug Free Schools and Communities	DR-S1-02	84.186	6,936	-	6,936	-
Dwight D. Eisenhower Professional Development Grant (Title II)	MS-S1-02	84.281	5,720	-	7,593	-
Title VI Total	C2-S1-01 C2-S1-02	84.298	1,951 9,140 <u>11,091</u>	- - -	2,672 9,140 <u>11,812</u>	- - -
Title VI-R Class Reduction	CR-S1-02	84.340	22,240	-	22,240	-
Total Department of Education			<u>180,424</u>	<u>0</u>	<u>190,582</u>	<u>0</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>passed through Ohio Department of MRDD</i>						
Community Alternative Funding System		93.778	49,263	-	49,263	-
Totals			<u>\$303,031</u>	<u>\$20,789</u>	<u>\$313,189</u>	<u>\$20,384</u>

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

**CHAMPION LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FISCAL YEAR ENDED JUNE 30, 2002**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the Champion Local School District, Trumbull County (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated June 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 4, 2003.

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 4, 2003



Auditor of State Betty Montgomery

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

Champion Board of Education
Trumbull County
5759 Mahoning Avenue NW
Warren, Ohio 44483

To the Board of Education:

Compliance

We have audited the compliance of Champion Local School District, Trumbull County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 4, 2003

**CHAMPION LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2002**

OMB CIRCULAR A -133 §.505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster - CFDA #10.550 & #10.555 Title VI-B – CFDA #84.005
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



**Auditor of State
Betty Montgomery**

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CHAMPION LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 8, 2003**