



Mary Taylor, CPA  
Auditor of State



**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Champion Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Champion Local School District, Trumbull County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Emergency Levy funds 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 October 8, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule provides additional information and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

October 8, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

The discussion and analysis of the Champion Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$2,110 which represents a 0.25% decrease from 2005.
- General revenues accounted for \$13,424,236 in revenue or 89.09% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,644,444 or 10.91% of total revenues of \$15,068,680.
- The District had \$15,070,790 in expenses related to governmental activities; only \$1,644,444 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,424,236 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and emergency levy fund. The general fund had \$11,490,828 in revenues and other financing sources and \$11,701,326 in expenditures. During fiscal 2006, the general fund's fund deficit increased from \$886,956 to a deficit of \$1,099,600.
- The emergency levy fund had \$2,099,589 in revenues and \$2,051,562 in expenditures. During fiscal 2006, the emergency levy fund's fund deficit balance decreased \$48,027 from \$311,081 to \$263,054.

**Using the Basic Financial Statements (BFS)**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 7,026,739	\$ 6,646,388
Capital assets	<u>3,210,481</u>	<u>3,485,112</u>
Total assets	<u>10,237,220</u>	<u>10,131,500</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,884,508	6,535,522
Long-term liabilities	<u>2,499,174</u>	<u>2,740,330</u>
Total liabilities	<u>9,383,682</u>	<u>9,275,852</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,623,190	1,785,317
Restricted	155,085	215,853
Unrestricted (deficit)	<u>(924,737)</u>	<u>(1,145,522)</u>
Total net assets	<u>\$ 853,538</u>	<u>\$ 855,648</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$853,538.

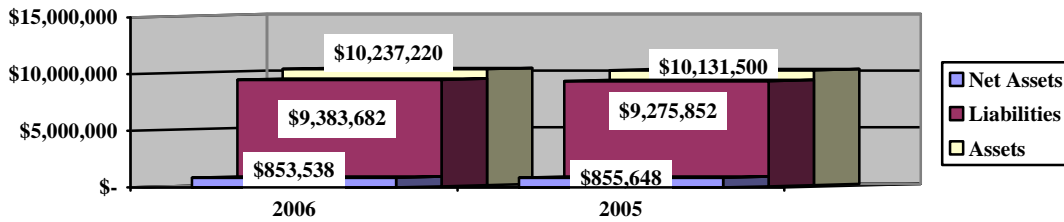
At fiscal year-end, capital assets represented 31.36% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$1,623,190. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$155,085, represents resources that are subject to external restriction on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,009,495	\$ 1,036,553
Operating grants and contributions	634,949	829,755
Capital grants and contributions	-	18,753
General revenues:		
Property taxes	5,395,755	5,121,113
Grants and entitlements	7,754,395	7,019,554
Investment earnings	63,243	15,817
Other	<u>210,843</u>	<u>255,921</u>
Total revenues	<u>15,068,680</u>	<u>14,297,466</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,137,878	\$ 6,579,164
Special	1,764,235	1,540,742
Vocational	149,691	145,176
Other	502,927	598,844
Support services:		
Pupil	574,959	593,106
Instructional staff	502,884	451,248
Board of education	62,748	58,369
Administration	1,602,068	1,729,720
Fiscal	345,990	373,132
Operations and maintenance	1,588,510	2,057,333
Pupil transportation	859,952	780,473
Central	12,532	7,399
Food service operations	407,932	387,505
Extracurricular activities	462,900	461,373
Interest and fiscal charges	<u>95,584</u>	<u>67,663</u>
Total expenses	<u>15,070,790</u>	<u>15,831,247</u>
Change in net assets	(2,110)	(1,533,781)
Net assets at beginning of year	<u>855,648</u>	<u>2,389,429</u>
Net assets at end of year	<u><u>\$ 853,538</u></u>	<u><u>\$ 855,648</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$2,110. Total governmental expenses of \$15,070,790 were offset by program revenues of \$1,644,444 and general revenues of \$13,424,236. Program revenues supported 10.91% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 87.27% of total governmental revenue. Real estate property is reappraised every six years.

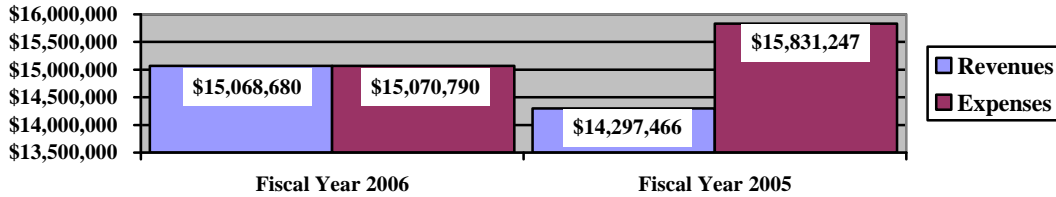
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,554,731 or 56.77% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,137,878	\$ 5,948,209	\$ 6,579,164	\$ 6,174,118
Special	1,764,235	868,464	1,540,742	656,300
Vocational	149,691	149,691	145,176	145,176
Other	502,927	502,927	598,844	598,844
Support services:				
Pupil	574,959	568,977	593,106	587,049
Instructional staff	502,884	489,718	451,248	435,819
Board of education	62,748	62,748	58,369	58,369
Administration	1,602,068	1,602,068	1,729,720	1,727,925
Fiscal	345,990	345,990	373,132	369,634
Operations and maintenance	1,588,510	1,588,510	2,057,333	1,992,599
Pupil transportation	859,952	859,952	780,473	780,473
Central	12,532	6,871	7,399	2,116
Food service operations	407,932	(22,789)	387,505	(7,698)
Extracurricular activities	462,900	359,426	461,373	357,799
Interest and fiscal charges	95,584	95,584	67,663	67,663
<b>Total expenses</b>	<u>\$ 15,070,790</u>	<u>\$ 13,426,346</u>	<u>\$ 15,831,247</u>	<u>\$ 13,946,186</u>

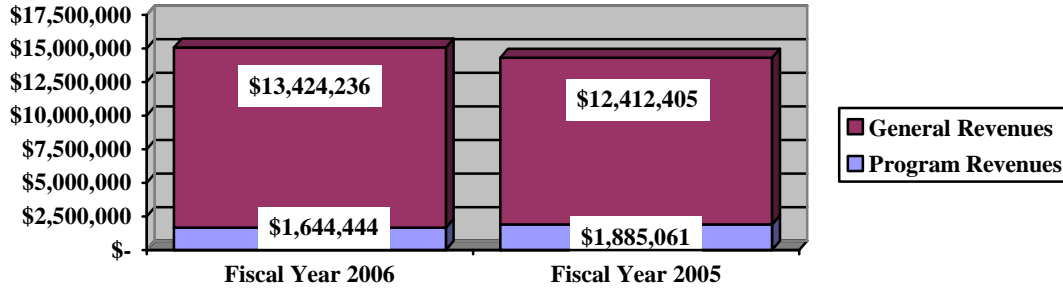
The dependence upon tax and other general revenues for governmental activities is apparent, 87.31% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.09%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit balance of \$1,207,663, which is greater than last year's deficit of \$976,611. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (1,099,600)	\$ (886,956)	\$ (212,644)	(23.97) %
Emergency levy	(263,054)	(311,081)	48,027	15.44 %
Other Governmental	<u>154,991</u>	<u>221,426</u>	<u>(66,435)</u>	(30.00) %
Total	<u>\$ (1,207,663)</u>	<u>\$ (976,611)</u>	<u>\$ (231,052)</u>	(23.66) %

**General Fund**

The District's general fund's fund deficit increased \$212,644. The increase in fund deficit can be attributed to rising expenditures with flat revenue growth. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,251,010	\$ 3,169,562	2.57 %
Tuition	468,947	476,773	(1.64) %
Earnings on investments	55,003	15,019	266.22 %
Intergovernmental	7,466,957	7,019,554	6.37 %
Other revenues	<u>248,648</u>	<u>296,603</u>	(16.17) %
Total	<u>\$ 11,490,565</u>	<u>\$ 10,977,511</u>	4.67 %
<b><u>Expenditures</u></b>			
Instruction	\$ 6,200,434	\$ 6,586,177	(5.86) %
Support services	5,028,153	4,851,649	3.64 %
Extracurricular activities	290,309	263,934	9.99 %
Facilities acquisition and construction	-	27,091	(100.00) %
Debt service	<u>182,430</u>	<u>158,669</u>	14.98 %
Total	<u>\$ 11,701,326</u>	<u>\$ 11,887,520</u>	(1.57) %

***Emergency Levy Fund***

The District's emergency levy fund's fund deficit balance decreased by \$48,027. The decrease in fund deficit balance can be attributed to increasing revenues still outpacing increased expenditures.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$11,520,857, which was greater than original budgeted revenues and other financing sources of \$10,856,980. Actual revenues and other financing sources for fiscal 2006 was \$11,520,857, which were unchanged from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures and other financing uses) of \$11,763,386 were decreased to \$11,622,884 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 were unchanged from the final budgeted expenditures and other financing sources.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2006, the District had \$3,210,481 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)

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

	Governmental Activities	
	2006	2005
Land	\$ 38,950	\$ 38,950
Land improvements	57,240	38,886
Building and improvements	2,068,293	2,220,880
Furniture and equipment	700,769	824,827
Vehicles	345,229	361,569
Total	\$ 3,210,481	\$ 3,485,112

Total additions to capital assets for 2006 were \$109,651. Depreciation expense for fiscal 2006 was \$363,487 and disposals were \$20,795 (net of accumulated depreciation). Overall, capital assets of the District decreased \$274,631, due to depreciation expense.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2006, the District had \$1,587,291 in asbestos notes and lease obligations outstanding. Of this total, \$116,745 is due within one year and \$1,470,546 is due within greater than one year. The following table summarizes the notes and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
EPA asbestos notes	\$ 175,048	\$ 201,978
Capital leases	1,412,243	1,497,817
Total	\$ 1,587,291	\$ 1,699,795

At June 30, 2006, the District's overall legal debt margin was \$16,353,342 with an unvoted debt margin of \$181,703.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**Current Financial Related Activities**

The District is often presented with challenges and opportunities. National, State and Local events often economically affect the District and the surrounding area both positively and adversely. However, the District has carefully managed its budget in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. Sound fiscal management by the Board of Education and administration has enabled the District to continue a quality, comprehensive educational program for the past twelve years without the need of additional tax levies.

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

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

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

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 219,512
Receivables:	
Taxes . . . . .	6,693,856
Accounts . . . . .	2,515
Intergovernmental . . . . .	50,732
Accrued interest . . . . .	3,344
Prepayments. . . . .	43,568
Materials and supplies inventory . . . . .	13,212
Capital assets:	
Land . . . . .	38,950
Depreciable capital assets, net . . . . .	3,171,531
Total capital assets. . . . .	3,210,481
Total assets. . . . .	10,237,220
<b>Liabilities:</b>	
Accounts payable. . . . .	2,516
Accrued wages and benefits . . . . .	1,079,354
Pension obligation payable. . . . .	343,539
Intergovernmental payable . . . . .	94,923
Deferred revenue . . . . .	5,336,127
Accrued interest payable . . . . .	28,049
Long-term liabilities:	
Due within one year. . . . .	410,327
Due in more than one year . . . . .	2,088,847
Total liabilities . . . . .	9,383,682
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,623,190
Restricted for:	
Capital projects . . . . .	95,983
Debt service. . . . .	6,126
State funded programs. . . . .	2,858
Federally funded programs. . . . .	32,653
Student activities. . . . .	2,901
Other purposes . . . . .	14,564
Unrestricted (deficit) . . . . .	(924,737)
Total net assets . . . . .	\$ 853,538

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,137,878	\$ 138,494	\$ 51,175	\$ (5,948,209)
Special . . . . .	1,764,235	459,586	436,185	(868,464)
Vocational . . . . .	149,691	-	-	(149,691)
Other . . . . .	502,927	-	-	(502,927)
Support services:				
Pupil . . . . .	574,959	-	5,982	(568,977)
Instructional staff . . . . .	502,884	7,113	6,053	(489,718)
Board of education. . . . .	62,748	-	-	(62,748)
Administration. . . . .	1,602,068	-	-	(1,602,068)
Fiscal . . . . .	345,990	-	-	(345,990)
Operations and maintenance. . . . .	1,588,510	-	-	(1,588,510)
Pupil transportation . . . . .	859,952	-	-	(859,952)
Central. . . . .	12,532	-	5,661	(6,871)
Food service operations. . . . .	407,932	300,828	129,893	22,789
Extracurricular activities . . . . .	462,900	103,474	-	(359,426)
Interest and fiscal charges . . . . .	95,584	-	-	(95,584)
Totals . . . . .	<u>\$ 15,070,790</u>	<u>\$ 1,009,495</u>	<u>\$ 634,949</u>	<u>(13,426,346)</u>

**General Revenues:**

Property taxes levied for:	
General fund . . . . .	3,417,120
Special revenue . . . . .	1,878,366
Debt service. . . . .	27,689
Capital projects . . . . .	72,580
Grants and entitlements not restricted to specific programs . . . . .	7,754,395
Investment earnings . . . . .	63,243
Miscellaneous . . . . .	210,843
Total general revenues . . . . .	<u>13,424,236</u>
Change in net assets . . . . .	(2,110)
<b>Net assets at beginning of year. . . . .</b>	<u>855,648</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 853,538</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 5,883	\$ 7,970	\$ 191,095	\$ 204,948
Receivables:				
Taxes . . . . .	4,278,673	2,293,291	121,892	6,693,856
Accounts . . . . .	2,364	-	151	2,515
Accrued interest . . . . .	1,166	-	2,178	3,344
Intergovernmental . . . . .	-	-	50,732	50,732
Prepayments . . . . .	43,568	-	-	43,568
Materials and supplies inventory . . . . .	1,235	-	11,977	13,212
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	14,564	-	-	14,564
Total assets . . . . .	<u>\$ 4,347,453</u>	<u>\$ 2,301,261</u>	<u>\$ 378,025</u>	<u>\$ 7,026,739</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 949	\$ 451	\$ 1,116	\$ 2,516
Accrued wages and benefits . . . . .	783,429	256,537	39,388	1,079,354
Pension obligation payable . . . . .	324,514	-	19,025	343,539
Due to other governments . . . . .	70,544	19,999	4,380	94,923
Deferred revenue . . . . .	4,267,617	2,287,328	159,125	6,714,070
Total liabilities . . . . .	<u>5,447,053</u>	<u>2,564,315</u>	<u>223,034</u>	<u>8,234,402</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	17,470	2,151	3,124	22,745
Reserved for materials and supplies inventory . . . . .	1,235	-	11,977	13,212
Reserved for property tax unavailable for appropriation . . . . .	11,056	5,963	314	17,333
Reserved for prepayments . . . . .	43,568	-	-	43,568
Reserved for capital maintenance . . . . .	14,564	-	-	14,564
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	(1,187,493)	-	-	(1,187,493)
Special revenue funds . . . . .	-	(271,168)	62,065	(209,103)
Capital projects funds . . . . .	-	-	77,511	77,511
Total fund balances (deficit) . . . . .	<u>(1,099,600)</u>	<u>(263,054)</u>	<u>154,991</u>	<u>(1,207,663)</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,347,453</u>	<u>\$ 2,301,261</u>	<u>\$ 378,025</u>	<u>\$ 7,026,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances (deficit)</b>		\$ (1,207,663)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,210,481
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,340,396	
Intergovernmental revenue	<u>37,547</u>	
Total		1,377,943
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(28,049)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Asbestos notes	175,048	
Compensated absences	911,883	
Capital lease obligations	<u>1,412,243</u>	
Total		<u>(2,499,174)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 853,538</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,251,010	\$ 1,823,860	\$ 97,287	\$ 5,172,157
Tuition. . . . .	468,947	-	-	468,947
Transportation fees . . . . .	-	-	2,621	2,621
Charges for services. . . . .	-	-	300,828	300,828
Earnings on investments. . . . .	55,003	-	8,240	63,243
Extracurricular. . . . .	-	-	100,853	100,853
Classroom materials and fees . . . . .	-	-	36,553	36,553
Other local revenues . . . . .	248,648	-	61,888	310,536
Intergovernmental - state . . . . .	7,466,957	275,729	37,003	7,779,689
Intergovernmental - federal. . . . .	-	-	572,108	572,108
Total revenues. . . . .	<u>11,490,565</u>	<u>2,099,589</u>	<u>1,217,381</u>	<u>14,807,535</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,298,729	1,645,211	134,374	6,078,314
Special. . . . .	1,274,620	-	502,238	1,776,858
Vocational. . . . .	144,829	-	-	144,829
Other . . . . .	482,256	-	-	482,256
Support Services:				
Pupil. . . . .	577,162	-	7,157	584,319
Instructional staff . . . . .	469,195	-	11,331	480,526
Board of education . . . . .	62,748	-	-	62,748
Administration. . . . .	1,602,523	-	-	1,602,523
Fiscal . . . . .	305,471	30,521	1,811	337,803
Operations and maintenance. . . . .	1,161,733	375,830	-	1,537,563
Pupil transportation . . . . .	840,470	-	42,491	882,961
Central. . . . .	8,851	-	3,681	12,532
Food service operations . . . . .	-	-	410,137	410,137
Extracurricular activities. . . . .	290,309	-	142,286	432,595
Facilities acquisition and construction . . . . .	-	-	2,255	2,255
Debt service:				
Principal retirement . . . . .	85,574	-	26,930	112,504
Interest and fiscal charges . . . . .	96,856	-	-	96,856
Total expenditures . . . . .	<u>11,701,326</u>	<u>2,051,562</u>	<u>1,284,691</u>	<u>15,037,579</u>
Excess of revenues over (under) expenditures . . . . .	(210,761)	48,027	(67,310)	(230,044)
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	263	-	-	263
Total other financing sources . . . . .	<u>263</u>	<u>-</u>	<u>-</u>	<u>263</u>
Net change in fund balances . . . . .	(210,498)	48,027	(67,310)	(229,781)
<b>Fund balances (deficit) at</b>				
<b>beginning of year. . . . .</b>	(886,956)	(311,081)	221,426	(976,611)
<b>Increase (decrease) in reserve for inventory . . . . .</b>	(2,146)	-	875	(1,271)
<b>Fund balances (deficit) at end of year. . . . .</b>	<u>\$ (1,099,600)</u>	<u>\$ (263,054)</u>	<u>\$ 154,991</u>	<u>\$ (1,207,663)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Net change in fund balances - total governmental funds** \$ (229,781)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Additions	\$	109,651	
Depreciation expense		(363,487)	
Total			(253,836)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

Disposals		(28,328)	
Accumulated depreciation on disposals		7,533	
Total			(20,795)

Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.

(1,271)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		223,598	
Intergovernmental revenue		37,547	
Total			261,145

Repayment of notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

112,504

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.

1,272

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

128,652

**Change in net assets of governmental activities** \$ (2,110)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,293,569	\$ 2,222,562	\$ 2,222,562	\$ -
Tuition. . . . .	508,102	492,372	492,372	-
Earnings on investments. . . . .	56,237	54,495	54,495	-
Other local revenues. . . . .	118,858	115,178	115,178	-
Intergovernmental - State . . . . .	7,705,513	7,466,957	7,466,957	-
Total revenues. . . . .	<u>10,682,279</u>	<u>10,351,564</u>	<u>10,351,564</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,697,788	4,289,082	4,289,082	-
Special. . . . .	1,334,857	1,244,656	1,244,656	-
Vocational. . . . .	153,704	143,446	143,446	-
Other . . . . .	430,000	468,869	468,869	-
Support Services:				
Pupil. . . . .	617,214	573,672	573,672	-
Instructional staff . . . . .	487,439	460,243	460,243	-
Board of education . . . . .	67,413	63,647	63,647	-
Administration. . . . .	1,406,036	1,592,444	1,592,444	-
Fiscal . . . . .	322,486	307,739	307,739	-
Operations and maintenance. . . . .	1,056,238	1,169,308	1,169,308	-
Pupil transportation . . . . .	687,581	849,940	849,940	-
Central. . . . .	3,000	8,851	8,851	-
Extracurricular activities. . . . .	391,902	374,531	374,531	-
Facilities aquisition and construction . . . . .	73,528	73,528	73,528	-
Total expenditures . . . . .	<u>11,729,186</u>	<u>11,619,956</u>	<u>11,619,956</u>	<u>-</u>
Excess of revenues under expenditures. . . . .	<u>(1,046,907)</u>	<u>(1,268,392)</u>	<u>(1,268,392)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures. . . . .	168,259	163,050	163,050	-
Refund of prior year (receipts). . . . .	-	(2,928)	(2,928)	-
Transfers (out) . . . . .	(34,200)	-	-	-
Advances in. . . . .	6,171	5,980	5,980	-
Sale of notes. . . . .	-	1,000,000	1,000,000	-
Sale of capital assets. . . . .	271	263	263	-
Total other financing sources (uses) . . . . .	<u>140,501</u>	<u>1,166,365</u>	<u>1,166,365</u>	<u>-</u>
Net change in fund balance . . . . .	(906,406)	(102,027)	(102,027)	-
<b>Fund balance at beginning of year . . . . .</b>	5,680	5,680	5,680	-
<b>Prior year encumbrances appropriated . . . . .</b>	98,344	98,344	98,344	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ (802,382)</u>	<u>\$ 1,997</u>	<u>\$ 1,997</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
EMERGENCY LEVY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,788,291	\$ 1,821,656	\$ 1,821,656	\$ -
Intergovernmental - state . . . . .	270,679	275,729	275,729	-
Total revenues . . . . .	<u>2,058,970</u>	<u>2,097,385</u>	<u>2,097,385</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,687,081	1,673,027	1,673,027	-
Support Services:				
Fiscal . . . . .	30,800	30,521	30,521	-
Operations and maintenance . . . . .	386,740	398,085	398,085	-
Total expenditures . . . . .	<u>2,104,621</u>	<u>2,101,633</u>	<u>2,101,633</u>	<u>-</u>
Net change in fund balance . . . . .	(45,651)	(4,248)	(4,248)	-
<b>Fund balance at beginning of year . . . . .</b>	8,525	8,525	8,525	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,091	1,091	1,091	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (36,035)</u>	<u>\$ 5,368</u>	<u>\$ 5,368</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 55,289
Total assets . . . . .	<u>\$ 55,289</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 141
Due to students . . . . .	55,148
Total liabilities . . . . .	<u>\$ 55,289</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is the 332<sup>nd</sup> largest in the State of Ohio (out of approximately 615 public school districts) in terms of enrollment. It is staffed by 69 non-certificated employees and 125 certificated full-time teaching personnel who provide services to 1,719 students and other community members. The District currently operates 3 instructional buildings, 1 athletic building, and 1 garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit, the Champion School Building Corporation. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*BLENDED COMPONENT UNIT*

Champion School Building Corporation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Management Information Network (NEOMIN)

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

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

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 15 participating school district's elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

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

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statements, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006. The budget figures, as shown in the accompanying budgetary statements, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2006, investments included the State Treasury Asset Reserve of Ohio (STAR Ohio), and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the permanent improvement capital projects fund, the district managed student activities special revenue fund and the food service special revenue fund. The food service special revenue fund receives interest earnings based upon federal mandate. Interest revenue credited to the general fund during fiscal 2006 amounted to \$55,003, which includes \$40,998 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2006.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 15 years of current service with the District, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

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

**M. Prepayments**

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

**N. Net Assets**

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Funds</u>	<u>Deficit</u>
General	\$ 1,099,600
Emergency Levy	263,054
 <u>Nonmajor Funds</u>	
Title VI-B	2,358
Title I	3,225
Title II-A	2,714

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of 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.

Interim monies to 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;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash on Hand**

At year-end, the District had \$149 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$62,979, exclusive of the \$202,913 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$53,363 of the District's bank balance of \$153,363 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 202,913	\$ 202,913
STAR Ohio	<u>8,760</u>	<u>8,760</u>
	<u>\$ 211,673</u>	<u>\$ 211,673</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment company's counterparty, not in the name of the District.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$202,913	95.86
STAR Ohio	<u>8,760</u>	<u>4.14</u>
	<u>\$211,673</u>	<u>100.00</u>

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 62,979
Investments	211,673
Cash on hand	149
Total	\$ 274,801
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 219,512
Agency fund	55,289
Total	\$ 274,801

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$11,056 in the general fund, \$78 in the debt service fund, \$236 in the permanent improvement fund and \$5,963 in the emergency levy fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$6,369 in the general fund, \$49 in the debt service fund, \$148 in the permanent improvement fund, and \$3,760 in the emergency levy fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>2005 Second Half Collections</u>		<u>2006 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 149,572,990	91.53	\$ 169,032,460	93.03
Public utility personal	4,120,000	2.52	3,801,230	2.09
Tangible personal property	<u>9,717,320</u>	<u>5.95</u>	<u>8,869,246</u>	<u>4.88</u>
Total	<u>\$ 163,410,310</u>	<u>100.00</u>	<u>\$ 181,702,936</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.10		\$ 44.80	



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Property taxes	\$ 6,693,856
Accounts	2,515
Intergovernmental	50,732
Accrued Interest	<u>3,344</u>
 Total	 <u>\$ 6,750,447</u>

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

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance <u>06/30/05</u>	Additions	Deductions	Balance <u>06/30/06</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 38,950	\$ -	\$ -	\$ 38,950
Total capital assets, not being depreciated	<u>38,950</u>	<u>-</u>	<u>-</u>	<u>38,950</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	46,936	22,775	-	69,711
Buildings and improvements	7,197,807	-	-	7,197,807
Furniture and equipment	2,639,207	29,944	(28,328)	2,640,823
Vehicles	<u>1,059,383</u>	<u>56,932</u>	<u>-</u>	<u>1,116,315</u>
Total capital assets, being depreciated	<u>10,943,333</u>	<u>109,651</u>	<u>(28,328)</u>	<u>11,024,656</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(8,050)	(4,421)	-	(12,471)
Buildings and improvements	(4,976,927)	(152,587)	-	(5,129,514)
Furniture and equipment	(1,814,380)	(133,207)	7,533	(1,940,054)
Vehicles	<u>(697,814)</u>	<u>(73,272)</u>	<u>-</u>	<u>(771,086)</u>
Total accumulated depreciation	<u>(7,497,171)</u>	<u>(363,487)</u>	<u>7,533</u>	<u>(7,853,125)</u>
Governmental activities capital assets, net	<u>\$ 3,485,112</u>	<u>\$ (253,836)</u>	<u>\$ (20,795)</u>	<u>\$ 3,210,481</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 7 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 194,035
Special	1,382
Vocational	2,811
<u>Support Services:</u>	
Pupil	1,085
Instructional staff	4,617
Administration	6,472
Fiscal	1,297
Operations and maintenance	9,088
Pupil transportation	74,992
Extracurricular activities	66,073
Food service operations	1,635
Total depreciation expense	<u>\$ 363,487</u>

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of building improvements have been capitalized in the amount of \$1,100,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$165,000, leaving a current book value of \$935,000. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2006 totaled \$38,682 and \$46,459 paid by the general fund.

**CHAMPION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 85,142
2008	85,141
2009	85,142
2010	85,141
2011	85,142
2012 - 2016	425,707
2017 - 2021	425,709
2022	<u>85,187</u>
Total minimum lease payments	1,362,311
Less amount representing interest	<u>(422,902)</u>
Total	<u>\$ 939,409</u>

- B.** On October 29, 2004, the District entered into a \$575,000 lease-purchase agreement with the Champion School Building Corporation to finance roof construction and improvements throughout the District. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District.

Capital assets consisting of building improvements have been capitalized in the amount of \$575,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$28,750, leaving a current book value of \$546,250. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2006 totaled \$46,892 and \$26,636 paid by the general fund.

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)**

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>
2007	\$ 73,528
2008	73,528
2009	73,528
2010	73,528
2011	73,528
2012-2014	<u>220,583</u>
Total	588,223
Less amount representing interest	<u>(115,389)</u>
Present value of minimum lease payments	<u><u>\$ 472,834</u></u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
EPA asbestos notes	\$ 201,978	\$ -	\$ (26,930)	\$ 175,048	\$ 26,930
Capital lease obligations	1,497,817	-	(85,574)	1,412,243	89,815
Compensated absences	<u>1,040,535</u>	<u>184,745</u>	<u>(313,397)</u>	<u>911,883</u>	<u>293,582</u>
Total governmental activities	<u><u>\$ 2,740,330</u></u>	<u><u>\$ 184,745</u></u>	<u><u>\$ (425,901)</u></u>	<u><u>\$ 2,499,174</u></u>	<u><u>\$ 410,327</u></u>

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

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

Capital Lease Obligations: The District issued a capital lease for the construction of an athletic complex in fiscal year 2002. The District entered into a lease purchase agreement for roof construction and improvements during fiscal year 2005. See Note 8 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)**

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

<u>Fiscal Year Ending</u>	<u>Payment</u>
2007	\$ 26,930
2008	26,931
2009	26,931
2010	26,930
2011	26,930
2012 - 2013	<u>40,396</u>
Total	<u>\$ 175,048</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$16,353,342, (including available funds of \$78) and an unvoted debt margin of \$181,703.

**NOTE 10 – NOTE PAYABLE**

On December 19, 2005, the District issued a \$1,000,000 current tax revenue note for the purpose of paying current expenses of the District in fiscal year 2006, in anticipation of current property tax revenues. This note was authorized by the Ohio Revised Code, particularly section 133.10. The note had an annual interest rate of 4.70% and matured on June 19, 2006. The note was receipted into the general fund, which made the principal and interest payments.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all certified employees and up to 250 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit, to a maximum of 55 days for both classified and certificated employees.

**NOTE 12 - RISK MANAGEMENT**

**A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to school employees and natural disasters. During fiscal year 2006, the District contracted with the Indiana Insurance Company for property insurance with a \$1,000 deductible. Professional liability is protected by the Ohio School Plan administered by the Hylant Group with a \$1,000,000 per occurrence and \$3,000,000 aggregate limit.

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

\$20,000 performance bonds are maintained for the Superintendent, Treasurer and Board President. All performance bonds are maintained by Travelers Casualty and Surety Company of America.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

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

**C. Health Insurance**

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

The provider contracted through the Consortium for Life Insurance is Medical Life Insurance Company. Coverage is \$50,000 for all certified and administrative staff and their support staff and \$40,000 for all union and non-union full time classified staff. The Superintendent is covered by a \$150,000 policy and the Treasurer is covered by \$100,000 policy. The premium is \$1.20 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 \$1,057.44 for family coverage or \$406.72 for individual coverage. Preferred Provider benefit premiums are \$1,032.11 for family coverage or \$396.97 for individual coverage per month. Health Maintenance Plan benefit premiums are \$1,042.98 for family coverage and \$401.11 for individual coverage per month. Hospitalization coverage is available to staff working 20 hours or more per week. Premium contributions are required of specific enrollees depending upon their employee classification.

The provider contracted through the Consortium for dental benefits is Oasis Trust. A third party administrator, Coresource located in Columbus, Ohio reviews and pays claims for the Consortium. Premiums for dental coverage are \$68.66 per month per employee. Dental coverage is available to staff working 20 hours or more per week.

Vision coverage is extended to its employees through Vision Service Plan. Premiums for vision coverage are \$14.21 per month per employee. Vision coverage is available to staff working 20 hours or more per week.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 13 – 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 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$170,006, \$168,613, \$142,771; 41.09 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$100,144 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.



**CHAMPION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 – DEFINED BENEFIT PENSION PLAN – (Continued)**

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$861,856, \$916,047 and \$846,651; 81.08 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$163,091 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,340 made by the District and \$15,406 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - 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-certified 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of 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, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$66,297 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the District paid \$87,267 to fund health care benefits, including the surcharge.

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 for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General and Emergency Levy funds are as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>	<u>Emergency Levy Fund</u>
Budget basis	\$ (102,027)	\$ (4,248)
Net adjustment for revenue accruals	1,139,001	2,204
Net adjustment for expenditure accruals	(99,820)	47,469
Net adjustment for other sources/(uses)	(1,166,102)	-
Year-end encumbrances	<u>18,450</u>	<u>2,602</u>
GAAP basis	<u>\$ (210,498)</u>	<u>\$ 48,027</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (241,336)	\$ -
Current year set-aside requirement	242,249	242,249
Qualifying disbursements	<u>(189,290)</u>	<u>(227,685)</u>
Total	<u>\$ (188,377)</u>	<u>\$ 14,564</u>
Cash balance carried forward to FY 2007	<u>\$ (188,377)</u>	<u>\$ 14,564</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 17 - STATUTORY RESERVES – (Continued)**

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

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for capital acquisition	<u>\$ 14,564</u>
Total restricted assets	<u>\$ 14,564</u>

**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster:						
Food Donation Program		10.550	-	\$14,802	-	\$14,802
National School Lunch Program		10.555	121,757	-	121,757	-
Total Department of Agriculture - Nutrition Cluster			121,757	14,802	121,757	14,802
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Cluster:						
Title I Grants to Local Educational Agencies	C1-S1-05	84.010	4,798	-	4,798	-
Title I Grants to Local Educational Agencies	C1-S1-06	84.010	108,128	-	94,475	-
Total			112,926	-	99,273	-
Special Education Grants to States	6B-SF-05		106,565	-	106,565	-
Special Education Grants to States	6B-SF-06	84.027	292,607	-	270,621	-
Total			399,172	-	377,186	-
Safe and Drug Free Schools and Communities - State Grants	DR-S1-06	84.186	5,981	-	5,981	-
State Grants for Innovative Programs	C2-S1-05	84.298	(873)	-	146	-
	C2-S1-06	84.298	6,061	-	5,381	-
Total			5,188	-	5,527	-
Education Technology State Grant	TJ-S1-06	84.318	2,128	-	2,070	-
Improving Teacher Quality State Grants	TR-S1-05	84.367	966	-	4,165	-
Improving Teacher Quality State Grants	TR-S1-06	84.367	40,175	-	35,023	-
			41,141	-	39,188	-
Total Department of Education			566,536	-	529,225	-
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of MRDC</i>						
State Children's Insurance Program		93.767	884	-	884	-
Medical Assistance Program		93.778	7,353	-	7,353	-
Total Department of Health and Human Services			8,237	-	8,237	-
<b>Totals</b>			<b>\$696,530</b>	<b>\$14,802</b>	<b>\$659,219</b>	<b>\$14,802</b>

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

**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Champion Local School District (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

### Compliance and Other Matters

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

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

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

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

**Mary Taylor, CPA**  
Auditor of State

October 8, 2007





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Champion Local School District, (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Champion Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

#### Internal Control Over Compliance

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

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 8, 2007

**CHAMPION LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

**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):	Title VI-B – CFDA 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None





**Mary Taylor, CPA**  
Auditor of State

**CHAMPION LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**NOVEMBER 8, 2007**