



**Auditor of State  
Betty Montgomery**



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Bloomfield-Mespo Local School District  
Trumbull County  
2077 Park Road West  
North Bloomfield, Ohio 44450

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 Bloomfield-Mespo Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2005, 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 Bloomfield-Mespo Local School District, Trumbull County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Title 1 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District has restated fund balances due to implementation of GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2006 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 expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 7, 2006

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The discussion and analysis of the Bloomfield-Mespo 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, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$296,488 which represents a 31.28% increase from 2004.
- General revenues accounted for \$2,723,521 in revenue or 70.17% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,157,593 or 29.83% of total revenues of \$3,886,114.
- The District had \$3,584,626 in expenses related to governmental activities; \$1,157,593 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 \$2,723,521 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the Title I fund. The general fund had \$2,874,901 in revenues and other financing sources and \$2,702,887 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance increased \$172,014 from \$144,621 to \$316,635.
- The Title I fund had \$349,617 in revenues and \$330,128 in expenditures. During fiscal 2005, the Title I fund's fund balance increased \$19,489 from \$16,557 to \$36,046.

**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 Title I fund are by far the most significant funds, and the only governmental funds reported as major funds

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 2005?" 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 of plant, 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 Title I 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 in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statements 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.



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***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 22-44 of this report.

**The District as a Whole**

Recall that 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 2005 and 2004. 2004 net assets have been restated as described in Note 3.B.

	<b>Net Assets</b>	
	Governmental Activities 2005	Restated Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 2,297,797	\$ 1,927,463
Capital assets	<u>661,323</u>	<u>727,577</u>
Total assets	<u>2,959,120</u>	<u>2,655,040</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,448,201	1,425,951
Long-term liabilities	<u>266,713</u>	<u>281,371</u>
Total liabilities	<u>1,714,914</u>	<u>1,707,322</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	628,549	683,416
Restricted	348,870	168,874
Unrestricted	<u>266,787</u>	<u>95,428</u>
Total net assets	<u>\$ 1,244,206</u>	<u>\$ 947,718</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$1,244,206. Of this total, \$266,787 is unrestricted in use.

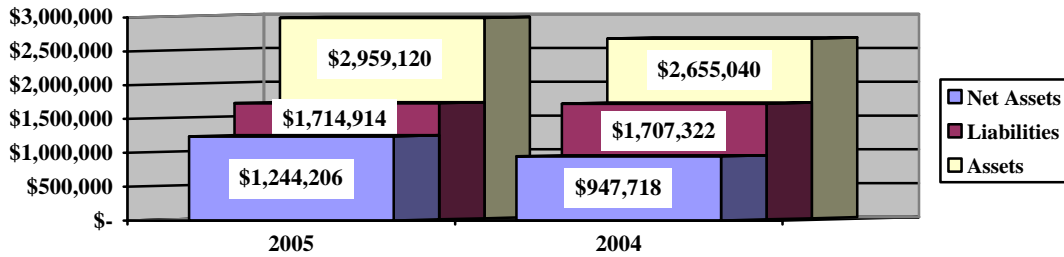
At year-end, capital assets represented 22.35% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$628,549. These capital assets are used to 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.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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A portion of the District's net assets, \$348,870, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$266,787 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 391,366	\$ 288,386
Operating grants and contributions	766,227	711,595
Capital grants and contributions	-	5,775
General revenues:		
Property taxes	1,089,298	1,088,901
Grants and entitlements	1,575,933	1,532,889
Investment earnings	12,554	6,100
Other	45,736	33,120
<b>Total revenues</b>	<b>3,881,114</b>	<b>3,666,766</b>

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,577,971	\$ 1,551,653
Special	414,156	469,068
Vocational	56,579	60,314
Support services:		
Pupil	140,071	133,775
Instructional staff	138,147	123,631
Board of education	30,388	13,349
Administration	359,173	322,496
Fiscal	174,361	150,036
Business	1,200	-
Operations and maintenance	279,448	296,305
Pupil transportation	211,800	194,830
Central	7,803	6,000
Food service operations	105,113	137,491
Operations of non-instructional services	72	-
Extracurricular activities	85,223	88,996
Interest and fiscal charges	3,121	3,994
Total expenses	<u>3,584,626</u>	<u>3,551,938</u>
Change in net assets	296,488	114,828
Net assets at beginning of year (restated)	<u>947,718</u>	<u>832,890</u>
Net assets at end of year	<u>\$ 1,244,206</u>	<u>\$ 947,718</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$296,488. Total governmental expenses of \$3,584,626 were offset by program revenues of \$1,157,593 and general revenues of \$2,723,521. Program revenues supported 32.29% of the total governmental expenses.

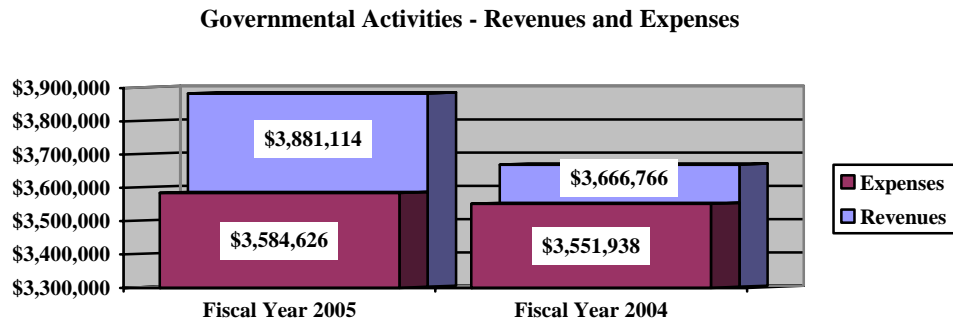
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 68.67% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,048,706 or 57.16% of total governmental expenses for fiscal 2005.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.



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.

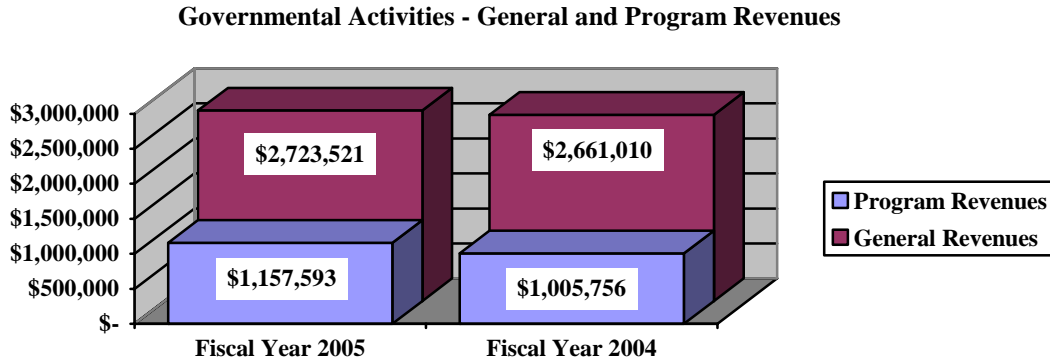
	<b>Governmental Activities</b>			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,577,971	\$ 1,155,553	\$ 1,551,653	\$ 1,207,891
Special	414,156	(20,341)	469,068	61,192
Vocational	56,579	56,579	60,314	60,314
Support services:				
Pupil	140,071	132,148	133,775	126,818
Instructional staff	138,147	49,050	123,631	62,786
Board of education	30,388	30,388	13,349	13,349
Administration	359,173	321,631	322,496	302,634
Fiscal	174,361	174,361	150,036	150,036
Business	1,200	1,200	-	-
Operations and maintenance	279,448	275,146	296,305	291,289
Pupil transportation	211,800	207,749	194,830	194,830
Central	7,803	1,803	6,000	-
Operations of non-instructional services	72	72	-	-
Food service operations	105,113	(12,825)	137,491	20,311
Extracurricular activities	85,223	51,398	88,996	50,738
Interest and fiscal charges	3,121	3,121	3,994	3,994
<b>Total expenses</b>	<b>\$ 3,584,626</b>	<b>\$ 2,427,033</b>	<b>\$ 3,551,938</b>	<b>\$ 2,546,182</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 58.17% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 67.71%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$480,771, which is greater than last year's total of \$254,492. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004

	<u>Fund Balance June 30, 2005</u>	<u>Restated Fund Balance June 30, 2004</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 316,635	\$ 144,621	\$ 172,014	118.94 %
Title I	36,046	16,557	19,489	117.71 %
Other Governmental	<u>128,090</u>	<u>93,314</u>	<u>34,776</u>	37.27 %
Total	<u>\$ 480,771</u>	<u>\$ 254,492</u>	<u>\$ 226,279</u>	88.91 %

**General Fund**

The District's general fund balance increased \$172,014. The increase in fund balance can be attributed to several items related to decreasing expenditures and increasing revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 929,397	\$ 911,139	\$ 18,258	2.00 %
Tuition	252,222	206,041	46,181	22.41 %
Earnings on investments	11,634	5,601	6,033	107.71 %
Classroom materials and fees	3,067	-	3,067	100.00 %
Intergovernmental	1,575,933	1,532,889	43,044	2.81 %
Other revenues	<u>100,930</u>	<u>33,354</u>	<u>67,576</u>	202.60 %
 Total	 <u>\$ 2,873,183</u>	 <u>\$ 2,689,024</u>	 <u>\$ 184,159</u>	 6.85 %
<b><u>Expenditures</u></b>				
Instruction	\$ 1,429,045	\$ 1,497,253	\$ (68,208)	(4.56) %
Support services	1,205,698	1,228,280	(22,582)	(1.84) %
Non-instructional services	72	-	72	100.00 %
Extracurricular activities	52,569	49,663	2,906	5.85 %
Debt service	<u>14,508</u>	<u>14,508</u>	<u>-</u>	- %
 Total	 <u>\$ 2,701,892</u>	 <u>\$ 2,789,704</u>	 <u>\$ (87,812)</u>	 (3.15) %

Tuition increased \$46,181 or 22.41% due to the number of students from outside the District. Intergovernmental revenues increased \$43,044 or 2.81% due to an increase in the number of grants the District received during 2005. Other revenues increased \$67,576 or 202.60% from the prior year. This increase is attributed to an increase in the amount of rental income the District received in 2005. The increase in investment income is due to increasing interest rates throughout the year. Instruction expenditures decreased \$68,208 or 4.56% due to lower special instruction expenditures. The increase in classroom materials and fees revenue, while a large percentage increase, is really of an immaterial amount.

***Title I Fund***

The District's Title I fund's fund balance increased by \$19,489. The increase in fund balance can be attributed to increasing revenues and decreasing 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 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$2,843,004 and final budgeted revenues and other financing sources were \$2,861,265. Actual revenues and other financing sources for fiscal 2005 was \$2,865,792. This represents a \$4,527 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$2,925,000 were decreased to \$2,875,000 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$2,710,084, which was \$164,916 less than the final budget appropriations and other financing uses.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$661,323 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 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 15,000	\$ 15,000
Land improvements	17,550	18,564
Building and improvements	486,053	520,699
Furniture and equipment	64,306	79,299
Vehicles	78,414	94,015
Total	\$ 661,323	\$ 727,577

The overall decrease in capital assets of \$66,254 is due to depreciation expense of \$72,142 exceeding capital outlays of \$10,702 in the fiscal year, and a \$4,814 write down cost adjustment to a piece of equipment.

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

***Debt Administration***

At June 30, 2005, the District had \$32,774 in capital lease obligations outstanding. Of this total, \$12,332 is due within one year and \$20,442 is due within greater than one year. The following table summarizes the lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2005	2004
Capital lease obligations	\$ 32,774	\$ 44,161
Total	\$ 32,774	\$ 44,161

At June 30, 2005, the District's overall legal debt margin was \$3,755,076, and an unvoted debt margin of \$41,723.

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

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Current Financial Related Activities**

The District faces many challenges in the future. The District is undergoing the Ohio Environmental Protection Agency's arsenic remediation mandate for the high school. We have retained a reputable water consultant that is guiding us through the arsenic problem. The Ohio E.P.A. standards have to be met and we started the process in December 2004 with a water flow meter. Information from this was used to help make decisions regarding the best technology to resolve our situation. Plans were submitted to the EPA for their approval. These plans were rejected. New plans were drawn up and will be reviewed in the near future. This meeting will tell us which technology solution we must use. Depending on which solution is approved, the potential exists that our septic system will also have to meet the Ohio E.P.A. guidelines to ensure proper runoff. The potential cost for the septic system may be in excess of \$100,000.

In 2000 and 2003 we purchased new buses for our fleet. We will be purchasing a new bus during FY 2006. The new bus should be delivered for the beginning of the FY 2007 school year. The state's bus funding has been reduced each year. Our fleet consists of six buses, four active and two spares. The active buses are two 1995's, one 2000, and one 2003, and the spare buses are two 1990's. The state funding went from \$17,200 in 2001 to \$5,500 in 2004. The state funding will be the same as last year or less according to the Ohio Department of Education's Transportation Department. Buses should be replaced every six years.

Our buildings are 80 to 90 years old and require continual upkeep in order to make them conducive to the educational process. During 2006, we will be putting on the ballot a three mill permanent improvement levy that will generate approximately \$120,000. We do not have a permanent improvement levy at this time and pay for all transportation and building improvements from the general and emergency levy funds. The permanent improvement levy will provide the District with opportunities that will help us go forward in the future with various programs that promote academic excellence.

**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. Bill Daugherty, Treasurer, 2077 Park Road W, North Bloomfield, Ohio 44450-9730.



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 857,707
Receivables:	
Taxes . . . . .	1,185,672
Accounts . . . . .	1,356
Intergovernmental . . . . .	250,188
Prepayments . . . . .	2,006
Materials and supplies inventory . . . . .	868
Capital assets:	
Land . . . . .	15,000
Depreciable capital assets, net . . . . .	646,323
Capital assets, net. . . . .	<u>661,323</u>
 Total assets. . . . .	 <u>2,959,120</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	24,238
Accrued wages and benefits . . . . .	252,421
Pension obligation payable. . . . .	72,134
Intergovernmental payable . . . . .	25,264
Deferred revenue . . . . .	1,074,144
Long-term liabilities:	
Due within one year. . . . .	63,948
Due within more than one year . . . . .	202,765
Total liabilities . . . . .	<u>1,714,914</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	628,549
Restricted for:	
State funded programs . . . . .	15,521
Federally funded programs . . . . .	262,130
Student activities . . . . .	24,012
Other purposes . . . . .	47,207
Unrestricted. . . . .	<u>266,787</u>
Total net assets . . . . .	<u>\$ 1,244,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 1,577,971	\$ 315,289	\$ 107,129	\$ (1,155,553)
Special . . . . .	414,156	-	434,497	20,341
Vocational . . . . .	56,579	-	-	(56,579)
Support services:				
Pupil . . . . .	140,071	-	7,923	(132,148)
Instructional staff . . . . .	138,147	-	89,097	(49,050)
Board of education . . . . .	30,388	-	-	(30,388)
Administration . . . . .	359,173	-	37,542	(321,631)
Fiscal . . . . .	174,361	-	-	(174,361)
Business . . . . .	1,200	-	-	(1,200)
Operations and maintenance . . . . .	279,448	-	4,302	(275,146)
Pupil transportation . . . . .	211,800	-	4,051	(207,749)
Central . . . . .	7,803	-	6,000	(1,803)
Operation of non-instructional services:				
Food service operations . . . . .	105,113	42,252	75,686	12,825
Other non-instructional services . . . . .	72	-	-	(72)
Extracurricular activities . . . . .	85,223	33,825	-	(51,398)
Interest and fiscal charges . . . . .	3,121	-	-	(3,121)
Total governmental activities . . . . .	<u>\$ 3,584,626</u>	<u>\$ 391,366</u>	<u>\$ 766,227</u>	<u>(2,427,033)</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				932,359
Special revenue . . . . .				156,939
Grants and entitlements not restricted				
to specific programs . . . . .				1,575,933
Investment earnings . . . . .				12,554
Miscellaneous . . . . .				45,736
Total general revenues . . . . .				<u>2,723,521</u>
Change in net assets . . . . .				296,488
Net assets at beginning of year (restated) . . . . .				<u>947,718</u>
Net assets at end of year . . . . .				<u>\$ 1,244,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Title I</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 607,299	\$ 89,527	\$ 113,674	\$ 810,500
Receivables:				
Taxes . . . . .	1,029,881	-	155,791	1,185,672
Accounts . . . . .	1,356	-	-	1,356
Intergovernmental . . . . .	1,662	149,441	99,085	250,188
Prepayments . . . . .	2,001	-	5	2,006
Materials and supplies inventory . . . . .	-	-	868	868
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	47,207	-	-	47,207
Total assets . . . . .	<u>\$ 1,689,406</u>	<u>\$ 238,968</u>	<u>\$ 369,423</u>	<u>\$ 2,297,797</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 24,238	\$ -	\$ -	\$ 24,238
Accrued wages and benefits . . . . .	207,881	35,434	9,106	252,421
Compensated absences payable . . . . .	31,619	9,552	-	41,171
Pension obligation payable. . . . .	57,458	8,320	6,356	72,134
Intergovernmental payable. . . . .	24,981	175	108	25,264
Deferred revenue. . . . .	1,026,594	149,441	225,763	1,401,798
Total liabilities . . . . .	<u>1,372,771</u>	<u>202,922</u>	<u>241,333</u>	<u>1,817,026</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	26,762	-	6,455	33,217
Reserved for materials and supplies inventory. . . . .	-	-	868	868
Reserved for prepayments . . . . .	2,001	-	5	2,006
Reserved for property tax unavailable for appropriation . . . . .	3,287	-	-	3,287
Reserved for BWC refunds. . . . .	13,233	-	-	13,233
Reserved for capital acquisition . . . . .	33,974	-	-	33,974
Unreserved, undesignated, reported in:				
General fund . . . . .	237,378	-	-	237,378
Special revenue funds. . . . .	-	36,046	120,762	156,808
Total fund balances . . . . .	<u>316,635</u>	<u>36,046</u>	<u>128,090</u>	<u>480,771</u>
Total liabilities and fund balances . . . . .	<u>\$ 1,689,406</u>	<u>\$ 238,968</u>	<u>\$ 369,423</u>	<u>\$ 2,297,797</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$	480,771
<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.			661,323
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	108,241	
Intergovernmental revenue		219,413	
Total			327,654
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		192,768	
Capital lease obligation payable		32,774	
Total			(225,542)
<b>Net assets of governmental activities</b>		\$	1,244,206

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Title I</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 929,397	\$ -	\$ 156,939	\$ 1,086,336
Tuition. . . . .	252,222	-	-	252,222
Earnings on investments. . . . .	11,634	-	920	12,554
Charges for services . . . . .	-	-	42,252	42,252
Extracurricular. . . . .	-	-	33,825	33,825
Classroom materials and fees . . . . .	3,067	-	-	3,067
Other local revenues. . . . .	100,930	-	3,088	104,018
Intergovernmental - State. . . . .	1,575,933	-	63,744	1,639,677
Intergovernmental - Federal . . . . .	-	349,617	240,512	590,129
Total revenue . . . . .	<u>2,873,183</u>	<u>349,617</u>	<u>541,280</u>	<u>3,764,080</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,275,895	-	253,766	1,529,661
Special. . . . .	97,088	246,450	83,298	426,836
Vocational. . . . .	56,062	-	-	56,062
Support services:				
Pupil. . . . .	131,567	-	7,678	139,245
Instructional staff . . . . .	65,739	52,786	18,141	136,666
Board of education . . . . .	30,388	-	-	30,388
Administration. . . . .	330,640	27,567	1,984	360,191
Fiscal . . . . .	166,677	-	2,719	169,396
Business . . . . .	1,200	-	-	1,200
Operations and maintenance. . . . .	281,148	3,325	-	284,473
Pupil transportation . . . . .	196,536	-	2,505	199,041
Central. . . . .	1,803	-	6,000	7,803
Operation of non-instructional services:				
Food service operations . . . . .	-	-	98,654	98,654
Other non-instructional services. . . . .	72	-	-	72
Extracurricular activities. . . . .	52,569	-	32,654	85,223
Facilities acquisition and construction . . . . .	-	-	100	100
Debt service:				
Principal retirement . . . . .	11,387	-	-	11,387
Interest and fiscal charges . . . . .	3,121	-	-	3,121
Total expenditures . . . . .	<u>2,701,892</u>	<u>330,128</u>	<u>507,499</u>	<u>3,539,519</u>
Excess of revenues over expenditures . . . . .	<u>171,291</u>	<u>19,489</u>	<u>33,781</u>	<u>224,561</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	995	995
Transfers (out). . . . .	(995)	-	-	(995)
Sale of capital assets. . . . .	1,718	-	-	1,718
Total other financing sources (uses) . . . . .	<u>723</u>	<u>-</u>	<u>995</u>	<u>1,718</u>
Net change in fund balances . . . . .	172,014	19,489	34,776	226,279
<b>Fund balances</b>				
at beginning of year (restated). . . . .	144,621	16,557	93,314	254,492
Fund balances at end of year. . . . .	<u>\$ 316,635</u>	<u>\$ 36,046</u>	<u>\$ 128,090</u>	<u>\$ 480,771</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO 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, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	226,279
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Additions	\$ 10,702	
Depreciation expense	(72,142)	
Total	(61,440)	(61,440)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(4,814)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	2,962	
Intergovernmental	112,354	
Total	115,316	115,316
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		11,387
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		9,760
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>296,488</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO 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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 922,996	\$ 928,925	\$ 930,395	\$ 1,470
Tuition. . . . .	250,217	251,824	252,222	398
Earnings on investments. . . . .	11,542	11,616	11,634	18
Classroom materials and fees . . . . .	3,042	3,062	3,067	5
Other local revenues . . . . .	59,865	60,250	60,345	95
Intergovernmental - State . . . . .	1,561,754	1,571,784	1,574,271	2,487
Total revenue . . . . .	<u>2,809,416</u>	<u>2,827,461</u>	<u>2,831,934</u>	<u>4,473</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,368,827	1,345,429	1,272,001	73,428
Special. . . . .	105,583	103,778	97,570	6,208
Vocational. . . . .	64,744	63,637	59,831	3,806
Support services:				
Pupil. . . . .	143,668	141,212	132,766	8,446
Instructional staff . . . . .	77,271	75,950	71,407	4,543
Board of education . . . . .	32,795	32,234	30,306	1,928
Administration. . . . .	337,833	332,058	312,197	19,861
Fiscal . . . . .	183,455	180,319	169,534	10,785
Business . . . . .	1,298	1,276	1,200	76
Operations and maintenance. . . . .	341,643	335,803	315,717	20,086
Pupil transportation . . . . .	207,721	204,170	191,958	12,212
Central. . . . .	1,951	1,918	1,803	115
Extracurricular activities. . . . .	57,135	56,158	52,799	3,359
Total expenditures . . . . .	<u>2,923,924</u>	<u>2,873,942</u>	<u>2,709,089</u>	<u>164,853</u>
Excess of revenues over (under) expenditures. . . . .	<u>(114,508)</u>	<u>(46,481)</u>	<u>122,845</u>	<u>169,326</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	31,884	32,089	32,140	51
Transfers (out) . . . . .	(1,076)	(1,058)	(995)	63
Sale of capital assets. . . . .	1,704	1,715	1,718	3
Total other financing sources (uses) . . . . .	<u>32,512</u>	<u>32,746</u>	<u>32,863</u>	<u>117</u>
Net change in fund balance . . . . .	(81,996)	(13,735)	155,708	169,443
<b>Fund balance at beginning of year (restated). .</b>	<u>447,798</u>	<u>447,798</u>	<u>447,798</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 365,802</u>	<u>\$ 434,063</u>	<u>\$ 603,506</u>	<u>\$ 169,443</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE I FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<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:				
Intergovernmental - Federal . . . . .	\$ 497,841	\$ 407,532	\$ 397,541	\$ (9,991)
Total revenue . . . . .	<u>497,841</u>	<u>407,532</u>	<u>397,541</u>	<u>(9,991)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	277,952	270,540	236,445	34,095
Support services:				
Instructional staff . . . . .	63,048	61,367	53,634	7,733
Administration . . . . .	29,777	28,983	25,331	3,652
Operations and maintenance . . . . .	4,223	4,110	3,591	519
Total expenditures . . . . .	<u>375,000</u>	<u>365,000</u>	<u>319,001</u>	<u>45,999</u>
Net change in fund balance . . . . .	122,841	42,532	78,540	36,008
<b>Fund balance at beginning of year . . . . .</b>	<u>10,987</u>	<u>10,987</u>	<u>10,987</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 133,828</u>	<u>\$ 53,519</u>	<u>\$ 89,527</u>	<u>\$ 36,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 5,740
Total assets. . . . .	<u>\$ 5,740</u>
<b>Liabilities:</b>	
Due to students . . . . .	\$ 5,740
Total liabilities . . . . .	<u>\$ 5,740</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

The Bloomfield - Mespo Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms by the citizens of the District.

The District serves an area of approximately 50 square miles in Trumbull County, including the townships of Bloomfield and Mesopotamia.

The District is the 607<sup>th</sup> largest by enrollment among the 614 public school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 22 non-certified and 45 certificated personnel to provide services to approximately 358 students and other community members.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised 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, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (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 no component units. 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:

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Career and Technical Center

The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483

*PUBLIC ENTITY RISK 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.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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.

*Title I Fund* - The purpose of the Title I fund is to account for financial assistance provided by state and local educational agencies to meet the special needs of educationally deprived children.

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; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

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 has two agency funds to account for District agency services and 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.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 6).

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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, 2005, but which were levied to finance fiscal year 2006 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 used 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 2005 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
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, 2005; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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, 2005.

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. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$11,634, which includes \$3,354 assigned from other 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 consumption method.

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

**H. Capital Assets**

Governmental capital assets are those assets generally related to governmental activities. These 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 deletions 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 \$1,500. 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, 2005

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 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.

**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, 2005, 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 age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age 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, 2005, 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.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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.

**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, prepayments, property tax revenue unavailable for appropriation, BWC refunds, and capital acquisition. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. 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.

**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.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**Q. 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

**NOTE 3 - ACCOUNTING AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing

The Bureau of Workers' Compensation agency fund has been reclassified to a component of the general fund. The reclassification more accurately reflects the intended purpose of this fund.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 and the fund reclassification the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTING AND COMPLIANCE – (Continued)**

	<u>General</u>	<u>Title I</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 86,517	\$ 18,195	\$ 97,288	\$ 202,000
Fund reclassification	80,189	-	-	80,189
GASB Technical Bulletin No. 2004-2	<u>(22,085)</u>	<u>(1,638)</u>	<u>(3,974)</u>	<u>(27,697)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 144,621</u>	<u>\$ 16,557</u>	<u>\$ 93,314</u>	<u>\$ 254,492</u>

**B. Prior Period Adjustment**

Beginning net assets have been restated due to the reclassification of the Bureau of Workers' Compensation agency fund to a component of the general fund.

Net assets June 30, 2004	\$ 867,529
Adjustment for workers' compensation fund	<u>80,189</u>
Net assets July 1, 2004	<u>\$ 947,718</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than 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;

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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. Deposits with Financial Institutions**

At June 20, 2005, the carrying amount of all District deposits was \$155,213. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$67,448 of the District's bank balance of \$167,448 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**B. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 708,234	\$ 708,234

*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.

*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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 708,234	100.00%

**C. Reconciliation of Cash and Investment 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, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 155,213
Investments	<u>708,234</u>
Total	<u>\$ 863,447</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 857,707
Agency funds	<u>5,740</u>
Total	<u>\$ 863,447</u>

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General fund	<u>\$    995</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. 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.

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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, 2005 was \$3,287 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$4,285 in the general 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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 37,465,090	91.94	\$ 38,778,780	92.95
Public utility personal	1,637,550	4.02	1,452,280	3.48
Tangible personal property	<u>1,648,692</u>	<u>4.04</u>	<u>1,492,009</u>	<u>3.57</u>
Total	<u>\$ 40,751,332</u>	<u>100.00</u>	<u>\$ 41,723,069</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 55.35		\$ 55.20	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities</b>	
Taxes	\$ 1,185,672
Accounts	1,356
Intergovernmental	<u>250,188</u>
Total	<u>\$ 1,437,216</u>

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

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	54,172	-	-	54,172
Buildings and improvements	1,666,977	-	-	1,666,977
Furniture and equipment	214,051	10,702	(4,814)	219,939
Vehicles	339,526	-	-	339,526
Total capital assets, being depreciated	<u>2,274,726</u>	<u>10,702</u>	<u>(4,814)</u>	<u>2,280,614</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(35,608)	(1,014)	-	(36,622)
Buildings and improvements	(1,146,278)	(34,646)	-	(1,180,924)
Furniture and equipment	(134,752)	(20,881)	-	(155,633)
Vehicles	(245,511)	(15,601)	-	(261,112)
Total accumulated depreciation	<u>(1,562,149)</u>	<u>(72,142)</u>	<u>-</u>	<u>(1,634,291)</u>
Governmental activities capital assets, net	<u>\$ 727,577</u>	<u>\$ (61,440)</u>	<u>\$ (4,814)</u>	<u>\$ 661,323</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 47,663
Special	1,622

Support Services:

Pupil	309
Instructional staff	1,488
Administration	718
Fiscal	327
Operations and maintenance	2,881
Pupil transportation	15,601
Food service operations	<u>1,533</u>
Total depreciation expense	<u>\$ 72,142</u>

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into lease agreements for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$60,023. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$11,387, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 14,508
2007	14,508
2008	<u>7,254</u>
Total minimum lease payments	36,270
Less amount representing interest	<u>(3,496)</u>
Total	<u>\$ 32,774</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2005, the following changes occurred in the long-term obligations of governmental activities.

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/05</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 237,210	\$ 10,009	\$ (13,280)	\$ 233,939	\$ 51,616
Capital lease obligation	<u>44,161</u>	<u>-</u>	<u>(11,387)</u>	<u>32,774</u>	<u>12,332</u>
Total long-term obligations, governmental activities	<u>\$ 281,371</u>	<u>\$ 10,009</u>	<u>\$ (24,667)</u>	<u>\$ 266,713</u>	<u>\$ 63,948</u>

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**B. 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, 2005 are a voted debt margin of \$3,755,076 and an unvoted debt margin \$41,723.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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 employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, and general liability.

Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$1,000,000 for each accident, and uninsured motorist of \$50,000 for each accident.

Real property and contents are fully insured. Real property is 90% co-insured. Limits of insurance on real property and equipment are \$6,855,501 with a deductible of \$1,000.

The District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate. The District's errors and omissions policy has a \$1,000,000 limit with deductible of \$5,000.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2004.

**B. Health Self Insurance**

The District has joined together with other school districts in the state to form the Trumbull County School Insurance Consortium Association, a public entity risk pool currently operating as a common risk management and insurance program for 16 member school districts in Trumbull County. The District pays a monthly premium to Trumbull County School Insurance Consortium Association for its insurance coverage. It is intended that the Trumbull County School Insurance Consortium Association will be self-supporting through member premiums. The monthly premium includes a specific and aggregate stoploss premium paid to General American Insurance. The specific individual stoploss is \$100,000 per year. The aggregate stoploss is 105% of yearly anticipated claims.

The District provides health, vision and life insurance coverage for employees. The health insurance coverage is administered by United Healthcare, a third party administrator. Vision Service Plan administers the vision coverage. Medical Life Insurance Company provides the life insurance coverage. The District pays the insurance premiums, as a fringe benefit for the employees.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2005, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 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.

**NOTE 12 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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. The 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 (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$61,818, \$53,781 and \$52,159, respectively; 51.49% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$29,988 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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% 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$194,435, \$184,672, and \$185,858, respectively; 83.19% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$32,692 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$0 made by the District and \$2,869 made by plan members.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$13,888 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$20,977 during the 2005 fiscal year.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue fund are as follows:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>	<u>Title I</u>
Budget basis	\$ 155,708	\$ 78,540
Net adjustment for revenue accruals	41,249	(47,924)
Net adjustment for expenditure accruals	(43,803)	(11,127)
Net adjustment for other sources/uses	(32,140)	-
Adjustment for encumbrances	<u>51,000</u>	<u>-</u>
GAAP basis	<u>\$ 172,014</u>	<u>\$ 19,489</u>

**NOTE 15 - 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.



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 15 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 16 - 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, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2004	\$ (46,919)	\$ 23,208	\$ 13,233
Current year set-aside requirement	50,795	50,795	-
Qualifying disbursements	<u>(51,314)</u>	<u>(40,029)</u>	<u>-</u>
Total	<u>\$ (47,438)</u>	<u>\$ 33,974</u>	<u>\$ 13,233</u>
Cash balance carried forward to FY 2006	<u>\$ (47,438)</u>	<u>\$ 33,974</u>	<u>\$ 13,233</u>

A schedule of the restricted assets at June 30, 2005 follows:

Amounts restricted for budget reserve	\$ 13,233
Amounts restricted for capital maintenance	<u>33,974</u>
Total restricted assets	<u>\$ 47,207</u>

**BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>Federal Grantor/ Pass Through Grantor 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><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program		10.550		\$9,571		\$9,571
National School Breakfast Program	05-PU-05 05-PU-04	10.553	12,549 5,559 <u>18,108</u>		12,549 5,559 <u>18,108</u>	
National School Lunch Program	LL-P4-05 LL-P4-04	10.555	34,395 16,442 <u>50,837</u>		34,395 16,442 <u>50,837</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>68,945</u>	<u>9,571</u>	<u>68,945</u>	<u>9,571</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies	C1-S1-05 C1-S1-04	84.010 84.010	370,199 27,342 <u>397,541</u>		261,087 57,915 <u>319,002</u>	
<i>Special Education Cluster:</i>						
Special Education Grants to States - Title VI-B	6B-SF-05	84.027	76,739		76,739	
Safe & Drug Free Schools Grant	DR-S1-05	84.186	9,564		9,564	
Eisenhower Professional Development Grant	MSS1-2001	84.281	(918)			
Innovative Educational Program Strategies - Title V	C2-S1-05	84.298	1,419		58	
Technology Fund - Title II-D	TJ-S1-05	84.318	11,904		11,904	
Improving Teacher Quality - Title II-A	TR-S1-05 TR-S1-04	84.367	60,656 (15,137) <u>45,519</u>		38,150 21,440 <u>59,590</u>	
Total U.S. Department of Education			<u>541,768</u>		<u>476,857</u>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Human Services; Passed Through Ohio Department of Mental Retardation and Developmental Disabilities; Passed Through the Trumbull County Educational Service Center:</i>						
Medical Assistance Program - Title XIX - Community Alternative Funding System		93.778	7,741		7,741	
<b>Totals</b>			<u><b>\$618,454</b></u>	<u><b>\$9,571</b></u>	<u><b>\$553,543</b></u>	<u><b>\$9,571</b></u>

The accompanying notes to the Federal Awards Expenditures Schedule are an integral part of this schedule.

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE**

**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**

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 market value of the commodities received.

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

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**Auditor of State  
Betty Montgomery**

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

Bloomfield-Mespo Local School District  
Trumbull County  
2077 Park Road West  
North Bloomfield, Ohio 44450

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 Bloomfield-Mespo Local School District, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 7, 2006, wherein we noted the District restated fund balances due to the implementation of GASB Technical Bulletin 2004-2. 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 in order 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 that we must report under *Government Auditing Standards*.

Bloomfield-Mespo 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 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 7, 2006



## **Auditor of State Betty Montgomery**

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

Bloomfield-Mespo Local School District  
Trumbull County  
2077 Park Road West  
North Bloomfield, Ohio 44450

To the Board of Education:

#### **Compliance**

We have audited the compliance of Bloomfield-Mespo 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, 2005. 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 each 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 Bloomfield-Mespo 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, 2005.

#### **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.

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 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 7, 2006



**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.010 Title I Grants to Local Educational Agencies
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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





**Auditor of State  
Betty Montgomery**

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**BLOOMFIELD MESPO 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  
AUGUST 15, 2006**