

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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1998

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountant's Report	
Combined Balance Sheet - All Fund Types and Account Groups	3-4
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	5
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - - All Governmental Fund Types	6-7
Combined Statement of Revenues, Expenditures and Changes in Retained Earnings - Proprietary Fund Type	8
Combined Statement of Cash Flows - Proprietary Fund Type	9
Notes to the General Purpose Financial Statements	10-33
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	34-35
Schedule of Findings	36-37



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REPORT OF INDEPENDENT ACCOUNTANTS

Bloomfield Mespo Local School District
Trumbull County
2077 Park Road West
N. Bloomfield, Ohio 44450

To the Board of Education

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

JIM PETRO
Auditor of State

December 14, 1999

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$259,717	\$44,578		\$334,891	\$18,428	\$20,135			\$677,749
Receivables (net of allowances of uncollectibles):									
Taxes - current & delinquent	848,531		\$19,223						867,754
Accounts	4,487	25			73				4,585
Due from other governments	1,673				7,072				8,745
Prepayments	4,721				6				4,727
Materials and supplies inventory					2,030				2,030
Restricted assets:									
Equity in pooled cash and cash equivalents	13,233								13,233
Property, plant and equipment (net of accumulated depreciation where applicable).					1,156		\$2,089,454		2,090,610
OTHER DEBITS:									
Amount to be provided for retirement of general long-term obligations								\$267,337	267,337
Total assets and other debits	\$1,132,362	\$44,603	\$19,223	\$334,891	\$28,765	\$20,135	\$2,089,454	\$267,337	\$3,936,770

(Continued)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 1998

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$15,006	\$575		\$7,490	\$312				\$23,383
Accrued wages and benefits	228,016	33,792		4	7,759				289,571
Compensated absences payable	1,117				2,452		\$207,279		210,848
Pension obligation payable	30,672	5,286			7,719		21,441		65,118
Deferred revenue	828,531		\$19,223		1,078				848,832
Due to other governments						\$17,159			17,159
Due to students						2,976			2,976
General obligation note payable								38,617	38,617
Total liabilities	1,103,342	39,653	19,223	7,494	19,320	20,135		267,337	1,476,504
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets							\$2,089,454		2,089,454
Retained earnings: unreserved					9,445				9,445
Fund balances:									0
Reserved for encumbrances	5,056	6,819		305,218					317,093
Reserved for prepayments	4,721								4,721
Reserved for tax revenue unavailable for appropriation	20,000								20,000
Reserved for budgets	13,233								13,233
Unreserved-undesignated (deficit)	(13,990)	(1,869)		22,179					6,320
Total equity and other credits	29,020	4,950		327,397	9,445		2,089,454		2,460,266
Total liabilities, equity & other credits	\$1,132,362	\$44,603	\$19,223	\$334,891	\$28,765	\$20,135	\$2,089,454	\$267,337	\$3,936,770

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From local sources:					
Taxes	\$783,441		\$21,433		\$804,874
Tuition	15,006				15,006
Earnings on investments	24,882				24,882
Other local revenues	57,206	\$30,423	11,406		99,035
Intergovernmental - State	1,243,834	19,089		\$507,882	1,770,805
Intergovernmental - Federal		246,428			246,428
Total revenue	<u>2,124,369</u>	<u>295,940</u>	<u>32,839</u>	<u>507,882</u>	<u>2,961,030</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,046,362	12,342		16,505	1,075,209
Special	135,560	201,214			336,774
Vocational	35,570				35,570
Support services:					
Pupil	52,378	4,205			56,583
Instructional staff	60,688	14,233			74,921
Board of Education	7,708				7,708
Administration	206,908	28,432			235,340
Fiscal	122,975	408			123,383
Operations and maintenance	196,532	4,221		146,350	347,103
Pupil transportation	164,393	2,865			167,258
Central	4,167	4,625			8,792
Community services		25			25
Extracurricular activities	43,640	29,114			72,754
Facilities services				33,461	33,461
Debt service:					
Principal retirement			27,374		27,374
Interest and fiscal charges			5,465		5,465
Total expenditures	<u>2,076,881</u>	<u>301,684</u>	<u>32,839</u>	<u>196,316</u>	<u>2,607,720</u>
Excess (deficiency) of revenues over (under) expenditures	47,488	(5,744)	0	311,566	353,310
Other financing sources (uses):					
Operating transfers out	(7,455)				(7,455)
Proceeds from sale of assets	52				52
Total other financing sources (uses)	<u>(7,403)</u>				<u>(7,403)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	40,085	(5,744)	0	311,566	345,907
Fund balance (deficit), July 1	(11,065)	10,694	0	15,831	15,460
Fund balance, June 30	<u>\$29,020</u>	<u>\$4,950</u>	<u>\$0</u>	<u>\$327,397</u>	<u>\$361,367</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes.....	\$765,856	\$778,441	\$12,585			
Tuition.....	14,763	15,006	243			
Earnings on investments.....	24,480	24,882	402			
Other local revenues.....	35,594	36,179	585	\$30,452	\$30,837	\$385
Intergovernmental - State.....	1,222,079	1,242,161	20,082	18,851	19,089	238
Intergovernmental - Federal.....				241,118	244,166	3,048
Total revenues.....	<u>2,062,772</u>	<u>2,096,669</u>	<u>33,897</u>	<u>290,420</u>	<u>294,092</u>	<u>3,672</u>
Expenditures:						
Current:						
Instruction:						
Regular.....	1,020,580	1,020,580	0	0	13,189	(13,189)
Special.....	134,717	134,717	0	203,251	203,251	0
Vocational.....	34,010	35,153	(1,143)			
Support services:						
Pupil.....	52,206	52,206	0	1,100	1,930	(830)
Instructional staff.....	58,346	58,346	0	11,120	13,533	(2,413)
Board of Education.....	7,715	7,715	0			
Administration.....	212,631	212,631	0	28,053	28,053	0
Fiscal.....	123,786	123,786	0	0	880	(880)
Operations and maintenance.....	201,115	201,115	0	2,340	5,645	(3,305)
Pupil transportation.....	160,190	160,190	0	1,000	2,851	(1,851)
Central.....	3,500	4,989	(1,489)	0	4,624	(4,624)
Community services.....				25	25	0
Extracurricular activities.....	45,752	45,752	0	18,791	29,754	(10,963)
Facilities acquisition & construction...						
Debt service:						
Principal retirement.....						
Interest and fiscal charges.....						
Total expenditures.....	<u>2,054,548</u>	<u>2,057,180</u>	<u>(2,632)</u>	<u>265,680</u>	<u>303,735</u>	<u>(38,055)</u>
Excess (deficiency) of revenues over (under) expenditures.....	8,224	39,489	31,265	24,740	(9,643)	(34,383)
Other financing sources (uses):						
Refund of prior year's (receipts).....	0	(23,235)	(23,235)			
Refund of prior year's expenditures....	16,317	16,585	268			
Proceeds from sale of fixed assets.....	102	104	2			
Operating transfers in.....	21,086	21,433	347	3,512	3,556	44
Operating transfers (out).....	(28,888)	(28,888)	0	(3,556)	(3,556)	0
Total other financing sources (uses)	<u>8,617</u>	<u>(14,001)</u>	<u>(22,618)</u>	<u>(44)</u>	<u>0</u>	<u>44</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	16,841	25,488	8,647	24,696	(9,643)	(34,339)
Fund balance, July 1.....	181,843	181,843	0	43,707	43,707	0
Prior year encumbrances appropriated	53,366	53,366	0	3,125	3,125	0
Fund balance, June 30.....	<u>\$252,050</u>	<u>\$260,697</u>	<u>\$8,647</u>	<u>\$71,528</u>	<u>\$37,189</u>	<u>(\$34,339)</u>

(Continued)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$21,433	\$21,433	\$0				\$787,289	\$799,874	\$12,585
						14,763	15,006	243
						24,480	24,882	402
						66,046	67,016	970
			\$507,882	\$507,882	\$0	1,748,812	1,769,132	20,320
						241,118	244,166	3,048
<u>21,433</u>	<u>21,433</u>	<u>0</u>	<u>507,882</u>	<u>507,882</u>	<u>0</u>	<u>2,882,507</u>	<u>2,920,076</u>	<u>37,569</u>
			52,922	75,438	(22,516)	1,073,502	1,109,207	(35,705)
						337,968	337,968	0
						34,010	35,153	(1,143)
						53,306	54,136	(830)
						69,466	71,879	(2,413)
						7,715	7,715	0
						240,684	240,684	0
						123,786	124,666	(880)
			0	421,346	(421,346)	203,455	628,106	(424,651)
						161,190	163,041	(1,851)
						3,500	9,613	(6,113)
						25	25	0
						64,543	75,506	(10,963)
			0	42,500	(42,500)	0	42,500	(42,500)
17,867	27,374	(9,507)				17,867	27,374	(9,507)
3,566	5,465	(1,899)				3,566	5,465	(1,899)
<u>21,433</u>	<u>32,839</u>	<u>(11,406)</u>	<u>52,922</u>	<u>539,284</u>	<u>(486,362)</u>	<u>2,394,583</u>	<u>2,933,038</u>	<u>(538,455)</u>
0	(11,406)	(11,406)	454,960	(31,402)	(486,362)	487,924	(12,962)	(500,886)
						0	(23,235)	(23,235)
						16,317	16,585	268
						102	104	2
11,406	11,406	0				36,004	36,395	391
						(32,444)	(32,444)	0
<u>11,406</u>	<u>11,406</u>	<u>0</u>				<u>19,979</u>	<u>(2,595)</u>	<u>(22,574)</u>
11,406	0	(11,406)	454,960	(31,402)	(486,362)	507,903	(15,557)	(523,460)
0	0	0	13,788	13,788	0	239,338	239,338	0
			39,797	39,797	0	95,288	95,288	0
<u>\$11,406</u>	<u>\$0</u>	<u>(\$11,406)</u>	<u>\$508,545</u>	<u>\$22,183</u>	<u>(\$486,362)</u>	<u>\$843,529</u>	<u>\$320,069</u>	<u>(\$523,460)</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$1,234
Sales/charges for services	45,030
	46,264
Operating expenses:	
Personal services	61,604
Materials and supplies	57,367
Depreciation	2,311
Other operating expenses	6
	121,288
Operating loss	(75,024)
Nonoperating revenues:	
Operating grants	61,482
Federal donated commodities	7,158
	68,640
Net loss before operating transfers	(6,384)
Operating transfers in	7,455
	1,071
Retained earnings, July 1	8,374
Retained earnings, June 30	\$9,445

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$1,317
Cash received from sales/service charges.	45,030
Cash payments for personal services	(61,182)
Cash payments supplies and materials	(49,604)
Cash payments for other expenses	<u>(12)</u>
Net cash used in operating activities.	(64,451)
Cash flows from noncapital financing activities:	
Cash received from operating grants	54,410
Transfers in from other funds	<u>7,455</u>
Net cash provided by noncapital financing activities	61,865
Net decrease in cash and cash equivalents	(2,586)
Cash and cash equivalents at beginning of year.	<u>21,014</u>
Cash and cash equivalents at end of year	<u>\$18,428</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$75,024)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,311
Federal donated commodities	7,158
Changes in assets and liabilities:	
Decrease in supplies inventory	777
Decrease in accounts receivable	83
Increase in prepayments	(6)
Increase in accounts payable	95
Decrease in accrued wages & benefits	(663)
Increase in compensated absences payable	108
Increase in pension obligation payable	977
Decrease in deferred revenue	<u>(267)</u>
Net cash used in operating activities	<u>(\$64,451)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bloomfield - Mespo Local School District ("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 602nd largest in the State of Ohio (among 611 Districts) in terms of total revenue. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 21 non-certified and 34 certificated personnel to provide services to approximately 446 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, *but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.*

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units that should be blended or discretely presented in the financial statements of the District. The following organizations are described due to their relationship with the District:

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)

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

A. Reporting Entity -(Continued)

JOINT VENTURE WITHOUT EQUITY INTEREST:

The Northeast Ohio Management Information Network (NEOMIN) is a joint venture among 28 school districts and 2 county educational service centers. The joint venture 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 governments of these schools supports NEOMIN based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NEOMIN as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from the treasurer for the Trumbull County Educational Service Center, who serves as fiscal agent, at 347 N. Park Avenue, Warren, Ohio 44481.

PUBLIC ENTITY RISK POOL:

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

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

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

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

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

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end.

Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 1998, and which are intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

C. Measurement Focus/Basis of Accounting-(Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as deferred commodities revenue.

D. 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 1998 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.
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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1998.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions 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 departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1998 in the following amounts:

<u>Fund</u>	<u>Increase</u>	<u>Decrease</u>
General		\$127,126
Special Revenue	\$ 21,853	
Debt Service	11,406	
Capital Project	446,566	
Enterprise		10,097
Agency	19,308	

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, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 11 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

Investments are reported at cost except for investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), which is reported at fair value. Fair value is based on quoted market prices.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 1998 amounted to \$24,882, which includes \$13,055 assigned from other District funds.

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

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

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated.

The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)

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

H. Fixed Assets and Depreciation-(Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5-20

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating when measurable and earned.

The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Program

Special Revenue Funds

Education Management Information Systems (EMIS)

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B
Title I
Title VI
Drug-Free Schools

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Funds

National School Lunch Program
Government Donated Commodities

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

I. Intergovernmental Revenues -(Continued)

Grants and entitlements amounted to approximately 68% of the District's operating revenue during the 1998 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

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

L. Fund Equity

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax advance unavailable for appropriation, debt service, prepaids and budgets. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

M. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 1998.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 1998.

An analysis of interfund transactions is presented in Note 5.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the District received a \$13,233 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "other local revenue" in the accompanying financial statements. A fund balance reserve has also been established.

O. Estimates

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

P. Memorandum Only - Total Columns

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," was implemented during fiscal 1998. In accordance with this statement, investments held at June 30, 1998 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices. All investments not required to be reported at fair value are stated at cost or amortized cost. The adoption of this statement does not require a restatement of fund balance/retained earnings as previously reported at June 30, 1997.

B. Deficit Fund Balances

Fund balance at June 30, 1998 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Title I	\$ 30,277
Disadvantaged Pupil Impact Aid	6
Miscellaneous State Grants	27

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. The deficit fund balances in the Title I, Disadvantaged Pupil Impact Aid and Miscellaneous State Grants special revenue funds are caused by accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

C. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$161

D. Compliance

Section 5705.41(B),(D), Revised Code, states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

During the testing of Budgetary for The School District, the following material funds, functions, object were found to have expenditures plus encumbrances in excess of appropriations contrary to the above statute in the following amounts:

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Compliance-(Continued)

<u>Fund Type Fund/Function</u>	<u>Appropriations</u>	<u>Encumbrances Expenditures</u>	<u>Excess</u>
<u>General</u>			
Vocational Instruction	\$ 34,010	\$ 35,153	\$ 1,143
Central	3,500	4,989	1,489
Refund of prior years' receipts	0	23,235	23,235
<u>Special Revenue</u>			
Regular instruction	0	13,189	13,189
Instructional Staff	11,120	13,533	2,413
Operations and maintenance	2,340	5,645	3,305
Pupil transportation	1,000	2,851	1,851
Central	0	4,624	4,624
Extracurricular activities	18,791	29,754	10,963
<u>Debt Service</u>			
Principal retirement	\$ 17,867	\$ 27,374	\$ 9,507
Interest and fiscal charges	3,566	5,465	1,899
<u>Capital Projects</u>			
Regular	52,922	75,438	22,516
Operations and maintenance	0	421,346	421,346
Facilities acquisition and construction	0	42,500	42,500

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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 accounts, including passbook accounts.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Interim monies may be invested or deposited 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days 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 rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At year-end the carrying amount of the District's deposits was \$3,622 and the bank balance was \$37,888. The entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

The District had an investment of \$687,360 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$ 690,982	\$ 0
Investments of the Cash Management Pool:		
Investment in STAR Ohio	<u>(687,360)</u>	<u>687,360</u>
GASB Statement No. 3	<u>\$ 3,622</u>	<u>\$ 687,360</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers during fiscal year 1998:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$7,455
<u>Enterprise Fund</u>		
Uniform School Supplies	<u>7,455</u>	<u>---</u>
Total	<u>\$7,455</u>	<u>\$7,455</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1997 taxes were collected was \$25,689,312. Agricultural/Residential and public utility/minerals real estate represented 79.4% or \$20,385,240 of this total, Commercial & Industrial real estate represented 5.4% or \$1,389,110 of this total, public utility tangible represented 8.7% or \$2,246,860 of this total and general tangible property represented 6.5% or \$1,668,102 of this total. The voted general tax rate at the fiscal year ended June 30, 1998 was \$46.20 per \$1,000 of assessed valuation for operations.

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.

The Trumbull County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$20,000 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 1998, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1998 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (intended to finance the current fiscal year). 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 fiscal year guarantee of Federal funds.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 7 - RECEIVABLES-(Continued)

A summary of the principal items of receivables follows:

<u>General Fund</u>	<u>Amounts</u>
Taxes - current & delinquent	\$ 848,531
Accounts	4,487
Due from other governments	1,673
<u>Debt Service Fund</u>	
Taxes - current	19,223
<u>Enterprise Funds</u>	
Due from other governments	7,072

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance July 1, 1997</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1998</u>
Land/ improvements	\$ 29,000	\$ ---	\$ ---	\$ 29,000
Buildings/ improvements	1,140,782	---	---	1,140,782
Furniture/ equipment	646,987	63,976	(19,680)	691,283
Vehicles	<u>228,389</u>	<u>---</u>	<u>---</u>	<u>228,389</u>
 Total	 <u>\$2,045,158</u>	 <u>\$63,976</u>	 <u>\$(19,680)</u>	 <u>\$2,089,454</u>

A summary of the proprietary fixed assets at June 30, 1998 follows:

Furniture and equipment	\$73,649
Less: accumulated depreciation	<u>72,493</u>
Net fixed assets	<u>\$ 1,156</u>

NOTE 9 - LONG-TERM OBLIGATIONS

All current obligation notes outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund.

The following is a description of the District's note outstanding as of June 30, 1998

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 1997</u>	<u>Issued In 1998</u>	<u>Retired In 1998</u>	<u>Outstanding June 30, 1998</u>
Bus Note	7.25%	2/2/2000	<u>\$55,991</u>	<u>\$ ---</u>	<u>\$(17,374)</u>	<u>\$38,617</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 9 - LONG - TERM OBLIGATIONS - (Continued)

- B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation note:

<u>Fiscal Year Ending</u>	<u>Principal on Note</u>	<u>Interest on Note</u>	<u>Total</u>
1999	\$ 18,633	\$ 2,800	\$ 21,433
2000	19,984	1,449	21,433
Total	<u>\$ 38,617</u>	<u>\$ 4,249</u>	<u>\$ 42,866</u>

- C. During fiscal year ended June 30, 1998, the District retired a bearer bond. The principal paid on the bond was \$10,000 and the interest was \$1,406. Payment of principal and interest relating to this bond are recorded as expenditures in the debt service fund.
- D. During the year ended June 30, 1998, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 1997</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1998</u>
Compensated absences	\$ 174,315	\$ 32,964	\$ ---	\$ 207,279
Pension obligation payable	20,943	21,441	(20,943)	21,441
General obligation note payable	<u>55,991</u>	<u>---</u>	<u>(17,374)</u>	<u>38,617</u>
TOTAL	<u>\$ 251,249</u>	<u>\$ 54,405</u>	<u>\$ (38,317)</u>	<u>\$ 267,337</u>

E. 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, 1998 are a voted debt margin of \$2,312,038 and an unvoted debt margin of \$25,689.

NOTE 10 - 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 boilers.

Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$400,000 for each accident, medical coverage of \$5,000 per person, and uninsured motorist of \$400,000 for each accident with a collision deductible of \$500.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 10 - RISK MANAGEMENT-(Continued)

Real property and contents are fully insured. Limits of insurance on real property and equipment are \$6,285,800 with a deductible of \$1,000. Boiler insurance limit is \$4,054,800 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.

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 anticipate claims.

The District provides health, vision and life insurance coverage for employees. The health insurance coverage is administered by Core Source, 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.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. 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.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 10 - RISK MANAGEMENT - (Continued)

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

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1998.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$45,030	\$ 1,234	\$46,264
Operating expenses before depreciation	111,333	7,644	118,977
Depreciation	2,311	---	2,311
Operating loss	(68,614)	(6,410)	(75,024)
Operating grants	61,482	---	61,482
Net income (loss) before operating transfers	26	(6,410)	(6,384)
Operating transfers in	---	7,455	7,455
Net income	26	1,045	1,071
Net working capital	9,055	1,686	10,741
Total assets	27,079	1,686	28,765
Total liabilities	19,320	---	19,320
Total equity	7,759	1,686	9,445
Encumbrances	1,000	---	1,000

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1997; 9.79 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$48,624, \$43,554 and \$37,946, respectively; 58 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$20,442, representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$170,100, \$163,261, and \$135,583, respectively; 83 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$29,144, representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS-(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 System/State Teachers Retirement System. As of June 30, 1998, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the District, this amount equaled \$42,525 during fiscal 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1.860 billion at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192.077 million and STRS had 88,718 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97.429 million and the target level was \$121.8 million. At June 30, 1997 SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$26,416 during the 1998 fiscal year.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).
- (d) Intrafund transfers have been presented as other financing sources (uses) on a budget basis. Intrafund transfers have been eliminated for GAAP basis reporting purposes.

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

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$25,488	\$(9,643)	\$ 0	\$ (31,402)
Net adjustment for revenue accruals	27,700	1,848	11,406	---
Net adjustment for expenditure accruals	(31,956)	(5,337)	---	30,260
Net adjustment for other financing sources (uses)	6,598	---	(11,406)	---
Encumbrances (budget basis)	<u>12,255</u>	<u>7,388</u>	<u>---</u>	<u>312,708</u>
GAAP basis	<u>\$40,085</u>	<u>\$(5,744)</u>	<u>\$ 0</u>	<u>\$311,708</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1998.

B. Litigation

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

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1998, the District received total support of \$1,282,325.

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

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

NOTE 16 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

NOTE 16 - YEAR 2000 ISSUE - (Continued)

The District uses an external service organization for its financial reporting, payroll and employee benefits systems. The service organization uses the Ohio School Fund Accounting System software for its financial reporting and the Ohio School Fund Payroll System software for its payroll and employee benefits. Both systems were developed by Snyder & Associates. The external service organization and Snyder & Associates are responsible for remediating these systems.

Trumbull County collects property taxes for distribution to the District. Trumbull County is responsible for remediating its tax collection system.

A letter dated February 19, 1998, from the Ohio Department of Education, Division of Information Management Services, State Software Development Team, addressed to All Users of the OECN State Software and Interested Parties, provided the following concerning the status of the OECN State Software in regards to the compliance requirements for the Year 2000.

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software will be compliant with the Year 2000, beginning with the June 1998 release of USAS V6.1.
- The education management information system software supported with the OECN State Software will be compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Bloomfield Mespo Local School District
Trumbull County
7000 Chagrin - Greenville Rd
Kinsman, Ohio 44428

To The Board of Education:

We have audited the accompanying general-purpose financial statements of the Bloomfield Mespo Local School District, Trumbull County, Ohio, as of and for the fiscal year ended June 30, 1998, and have issued our report thereon dated December 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

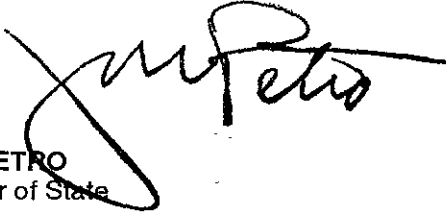
As part of obtaining reasonable assurance about whether the School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of finding items, 1998-11178-001 and 1998-11178-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over general-purpose financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 14, 1999.

Bloomfield Mespo Local School District
Trumbull County
Report on Compliance and on Internal Control Required
by *Government Auditing Standards*
Page -2-

This report is intended for the information of management and Board of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized circular flourish.

JIM PETRO
Auditor of State

December 14, 1999

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 1998

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

Finding Number 1998-11178-001

Section 5705.38, Revised Code, requires the Board of Education to adopt the original appropriation. Section 5705.40, Revised Code, states that any appropriation measure may be amended or supplemented as long as the School District complies with the same provisions of the law as used in making the original appropriation.

At the beginning of the fiscal year, the Treasurer was given authority by the Board of Education to amend appropriations as long as the amendment did not exceed the fund's total original appropriations. Consequently, throughout the year, the Treasurer amended the appropriations prior to the Board adopting the changes. These two situations are contrary to the above Revised Code Sections. That is, the Board of Education is not permitted to delegate its authority to the Treasurer, and consequently, the Treasurer cannot amend appropriations prior to the Board's adoption of the amendment.

These two situations resulted in expenditures exceeding appropriations for various fund accounts as shown in Finding Number 1998-11104-002. It also resulted in adjustments being made to the budgetary financial statements.

Finding Number 1998-11178-002

Section 5705.41(B),(D), Revised Code, states that no subdivision or taxing unit is to expend money unless it has been properly appropriated. During the testing of Budgetary for Bloomfield Mespo Local School District, the following material funds, functions, object were found to have expenditures plus encumbrances in excess of appropriations contrary to the above statute:

<u>Fund Type</u> <u>Fund/Function</u>	<u>Appropriations</u>	<u>Encumbrances/</u> <u>Expenditures</u>	<u>Excess</u>
<u>General</u>			
Vocational Instruction	\$ 34,010	\$ 35,153	\$ 1,143
Pupil	51,670	52,206	536
Instructional Staff	58,205	58,346	141
Central	3,500	4,989	1,489
Refund of prior years' receipts	0	23,235	23,235
<u>Special Revenue</u>			
Regular instruction	0	13,189	13,189
Pupil	1,100	1,930	830
Instructional Staff	11,120	13,533	2,413
Fiscal	0	880	880
Operations and maintenance	2,340	5,645	3,305
Pupil transportation	1,000	2,851	1,851
Central	0	4,624	4,624
Community Services	0	25	25
Extracurricular activities	18,791	29,754	10,963

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 1998

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

Finding Number 1998-11178-002	Continued
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Fund Type Fund/Function	Appropriations	Expenditures	Excess
<u>Debt Service</u>			
Principal retirement	\$ 17,867	\$ 27,374	\$ 9,507
Interest and fiscal charges	3,566	5,465	1,899
<u>Capital Projects</u>			
Regular	52,922	75,438	22,516
Operations and maintenance	0	421,346	421,346
Facilities acquisition and construction	0	42,500	42,500



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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.

By: *Susan Babbitt*

Date: **JAN 11 2000**