



**BLOOM CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**BLOOM CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Bloom Carroll Local School District  
Fairfield County  
5240 Plum Road NW  
P.O. Box 338  
Carroll, Ohio 43112-0338

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Bloom Carroll Local School District, Fairfield County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008, 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.

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

**Mary Taylor, CPA**  
Auditor of State

May 9, 2008

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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The discussion and analysis of the Bloom-Carroll Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

**Financial Highlights**

- ▶ The assets of the District exceeded its liabilities at June 30, 2006 by \$4,097,211. Of this amount, \$4,378,999 represents the total of capital assets net of related debt and amounts restricted for specific purposes. The remaining deficit of (\$281,788) represents unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$1,243,575, which represents a 43.58 percent increase from 2005.
- ▶ General revenues accounted for \$11,128,933 or 83.99 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,121,177 or 16.01 percent of total revenues of 13,250,110.
- ▶ The District had \$12,006,535 in expenses related to governmental activities; only \$2,121,177 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$11,128,933 were used to provide for the remainder of these programs.
- ▶ The District recognizes one major governmental fund: the General Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$12,293,042 in revenues and \$10,965,073 in expenditures in fiscal year 2006.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and 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.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. 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. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

The analysis of the District's major funds begin on page 15. Fund financial statements provide detailed information about the District's major fund. 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 fund. The District's only major governmental fund is the General Fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

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**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds**

The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the full accrual basis of accounting.

**Fiduciary Funds**

The District's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**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.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2006 compared to fiscal year 2005:

**Table 1  
Net Assets**

	<u>Governmental Activities</u>	
	2006	2005
<b><u>Assets:</u></b>		
Current and Other Assets	\$6,062,091	\$5,616,467
Capital Assets, Net	4,232,493	4,518,599
<i>Total Assets</i>	<u>10,294,584</u>	<u>10,135,066</u>
<b><u>Liabilities:</u></b>		
Long-Term Liabilities	738,362	776,611
Other Liabilities	5,459,011	6,504,819
<i>Total Liabilities</i>	<u>6,197,373</u>	<u>7,281,430</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	4,232,493	4,518,599
Restricted	146,506	54,785
Unrestricted	(281,788)	(1,719,748)
<i>Total Net Assets</i>	<u><u>\$4,097,211</u></u>	<u><u>\$2,853,636</u></u>

Current and other assets increased \$445,624 from fiscal year 2005 due to operations of the District. Capital assets decreased by \$286,106 as a result of depreciation for the current year.

Current (other) liabilities decreased by \$1,045,808 due primarily to decreases in accrued wages and benefits, and deferred revenue.

Long-term liabilities decreased by \$38,249 due to the decrease in compensated absences.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The District has a negative balance for unrestricted net assets.

The remaining balance of \$146,506 is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2006 and provides a comparison to fiscal year 2005.

Table 2  
**Changes in Net Assets**

	<b>Governmental Activities</b>	
	2006	2005
<b><u>Revenues:</u></b>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$992,458	\$790,929
Operating Grants and Contributions	1,128,719	498,515
Capital Grants and Contributions	0	12,705
<i>General Revenue:</i>		
Property Taxes	5,360,910	4,382,483
Income Taxes	2,147,116	1,636,786
Unrestricted Grants and Entitlements	3,507,396	3,978,663
Gifts and Donations	13,096	0
Investment Earnings	39,651	24,907
Gain on Sale of Capital Assets	1,331	0
Miscellaneous	59,433	41,682
<b>Total Revenues</b>	<b>13,250,110</b>	<b>11,366,670</b>
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	4,648,901	5,557,404
Special	1,339,537	1,195,640
Vocational	207,777	245,011
Other	437,579	407,534

(Continued)

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

**Table 2  
Changes in Net Assets**

	2006	2005
<i>Support Services:</i>		
Pupils	513,870	575,214
Instructional Staff	468,251	517,280
Board of Education	199,632	149,534
Administration	1,439,342	1,311,303
Fiscal	157,035	158,984
Business	0	23,156
Operation and Maintenance of Plant	902,893	952,238
Pupil Transportation	788,386	764,112
Central	56,600	66,217
 <i>Operation of Non-Instructional Services:</i>		
Food Services	320,676	301,761
Other	1,813	1,500
Extracurricular Activities	501,225	593,672
Interest and Fiscal Charges	23,018	1,127
 <i>Total Expenses</i>	<u>12,006,535</u>	<u>12,821,687</u>
 <i>Change in Net Assets</i>	1,243,575	(1,455,017)
 Net Assets – Beginning of Year	<u>2,853,636</u>	<u>4,308,653</u>
 Net Assets – End of Year	<u><u>\$4,097,211</u></u>	<u><u>\$2,853,636</u></u>

The most significant program expenses for the District are Regular Instruction, Administration, Special Instruction, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 75.95 percent of the total governmental activities. Regular Instruction, which accounts for 38.72 percent of the total, represents costs associated with providing general educational services. Administration, which represents 11.99 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Special Instruction, which represents 11.16 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 7.52 percent of the total, represents costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 6.57 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes, and grants and entitlements not restricted for specific programs. Property taxes, income taxes, and grants and entitlements not restricted for specific programs account for 83.13 percent of total revenues.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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As noted previously, the net assets for the governmental activities increased \$1,243,575 or 43.58 percent. This is a change from last year when net assets decreased \$1,455,017 or 33.77 percent. Total revenues increased \$1,883,440 or 16.57 percent from last year and expenses decreased \$815,152 or 6.36 percent from last year.

The District had program revenue increases of \$819,028, as well as increases in general revenues of \$1,064,412. The increase in program revenue is mostly due to the School District receiving additional grants during fiscal year 2006. There was one significant increase in general revenue. Property taxes increased \$978,427 or 22.33 percent due to an increase in the tax valuations.

The total expenses for governmental activities decreased as a result of one significant program decrease. Regular Instruction decreased \$908,503 due to a decrease in costs associated with instruction paid from the General Fund.

**Governmental Activities**

Over the past two fiscal years, the District began having some fiscal problems that resulted in a decrease of cash balances. The District is heavily dependent on property taxes, income taxes, and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 40.46 percent, income taxes made up 16.20 percent, and intergovernmental revenue made up 34.99 percent of the total revenue for our governmental activities in fiscal year 2006.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District voters approved an income tax levy of 0.75 percent in fiscal year 1997 and it is a continuing tax. The voters of the District approved an additional income tax levy of 0.50 percent in fiscal year 2006. These levies generate approximately \$2,100,000 in revenue for general operations.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2006, the District received \$3,376,558 through the State's foundation program, which represents 25.48 percent of the total revenue for the governmental activities. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 55.25 percent of governmental activities program expenses. Support services expenses make up 37.70 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2006 compared with fiscal year 2005. That is, it identifies the net cost of these services supported by tax revenue and unrestricted State entitlements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

**Table 3  
Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
<i>Program Expenses:</i>				
Instruction	\$6,633,794	\$5,465,456	\$7,405,589	\$6,734,255
Support Services	4,526,009	4,040,741	4,518,038	4,328,827
Operation of Non-Instructional Services	322,489	(34,324)	303,261	(20,927)
Extracurricular Activities	501,225	390,467	593,672	476,256
Interest and Fiscal Charges	23,018	23,018	1,127	1,127
<b>Total Expenses</b>	<b>\$12,006,535</b>	<b>\$9,885,358</b>	<b>\$12,821,687</b>	<b>\$11,519,538</b>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues, and other financing sources of \$13,201,570 and expenditures of \$11,836,116.

Total governmental funds fund balance increased by \$1,365,454. The increase in fund balance for the year was most significant in the General Fund, an increase of \$1,329,300 reflecting revenues received for general operations exceeding expenditures.

With the additional income tax passed by voters in November 2005, projections beyond fiscal year 2007 show the District should be able to meet inflationary cost increases without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2006, the District amended its General Fund budget one time. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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The General Fund actual budget basis fund balance increased by \$81,089. The original and final budget basis fund balances also increased. This increase is the result of decreased expenditures.

For the General Fund, the final budget basis revenue was \$11,684,512 representing a \$556,207 increase from the original budget estimates of \$11,128,305. The final budget reflected a 5.00 percent increase from the original budgeted amount. Most of this difference is due to an increase in income tax and tuition and fees revenue during the fiscal year. The actual budget basis revenues were \$11,578,491 representing a \$106,021 decrease from the final budgeted amount. This decrease is a result of the District budgeting too much for property tax revenue on the final budget. For the General Fund, the final budget basis expenditures were \$12,123,941 representing a \$574,851 increase from the original budget estimates of \$11,549,090. The final budget reflected a 4.97 percent increase from the original budgeted amount. The actual budget basis expenditures were \$12,248,733 representing a \$124,792 increase from the final budgeted amount. This increase is the result of the District spending more than they budgeted or intended to spend.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the District had \$10.3 million invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, and library books and textbooks, of which all was in governmental activities. That total carries an accumulated depreciation of \$6.0 million. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

**Table 4  
Capital Assets & Accumulated Depreciation at June 30, 2006**

	<b>Governmental Activities</b>	
	2006	2005
<i>Nondepreciable Capital Assets:</i>		
Land	\$806,734	\$806,734
<i>Depreciable Capital Assets:</i>		
Land Improvements/Infrastructure	350,305	350,305
Buildings and Improvements	5,287,623	5,263,057
Furniture, Fixtures and Equipment	2,534,427	2,641,709
Vehicles	1,068,583	1,068,583
Library Books and Textbooks	243,567	243,567
<i>Total Capital Assets</i>	<u>10,291,239</u>	<u>10,373,955</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements/Infrastructure	(84,740)	(67,225)
Buildings and Improvements	(2,907,668)	(2,793,048)
Furniture, Fixtures and Equipment	(2,077,807)	(2,088,014)
Vehicles	(745,107)	(663,739)
Library Books and Textbooks	(243,424)	(243,330)
<i>Total Accumulated Depreciation</i>	<u>(6,058,746)</u>	<u>(5,855,356)</u>
Capital Assets, Net	<u><u>\$4,232,493</u></u>	<u><u>\$4,518,599</u></u>

More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

**Debt Administration**

At June 30, 2006, the District had no debt outstanding.

Detailed information pertaining to the District's short-term and long-term debt activity can be found in the notes to the basic financial statements.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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**Current Issues**

Bloom-Carroll Local School District is considered a wealthy district according to the State of Ohio's property valuation per pupil formula. However, the District is only collecting the minimum 20 mills on these property values, while being charged 23 mills on the same property under the State's current formula. This, along with the relatively small growth in the income tax and rising expenditures, has necessitated the District to seek additional funding. As indicated in the preceding financial information, the District is heavily dependent on taxes and intergovernmental revenue. Nearly one-third of the District's funding is received through the State's foundation program, which along with taxes and other various grants and entitlements makes up 90 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning and the passage of an income tax levy in November, 2005 will enable the District to sustain programs and strong educational processes currently in place.

Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. The District's enrollment has increased by 8.5 percent since October, 2003. Residential/agricultural property contributes 93 percent of the District's real estate valuation.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information, contact Travis Bigam, Treasurer of Bloom-Carroll Local School Board of Education, 69 South Beaver Street, Carroll, Ohio 43112.

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**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$44,449
Cash and Cash Equivalents with Fiscal Agent	39,901
Property Taxes Receivable	4,828,802
Income Taxes Receivable	927,232
Accounts Receivable	515
Intergovernmental Receivable	110,606
Accrued Interest Receivable	6,045
Prepaid Items	5,997
Materials and Supplies Inventory	4,450
<i>Restricted Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	94,094
Nondepreciable Capital Assets	806,734
Depreciable Capital Assets, Net	3,425,759
<i>Total Assets</i>	10,294,584
<b><u>Liabilities:</u></b>	
Accounts Payable	220,918
Accrued Wages and Benefits	985,809
Intergovernmental Payable	255,096
Claims Payable	4,679
Deferred Revenue	3,992,509
<i>Long-Term Liabilities:</i>	
Due within One Year	85,680
Due in More Than One Year	652,682
<i>Total Liabilities</i>	6,197,373
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	4,232,493
<i>Restricted for:</i>	
<i>Permanent Fund Purpose:</i>	
Expendable	462
Nonexpendable	25,000
Set Asides	94,094
Other Purposes	26,950
Unrestricted	(281,788)
<i>Total Net Assets</i>	\$4,097,211

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$4,648,901	\$611,476	\$7,638	(\$4,029,787)
Special	1,339,537	0	518,668	(820,869)
Vocational	207,777	0	30,556	(177,221)
Other	437,579	0	0	(437,579)
<i>Support Services:</i>				
Pupils	513,870	0	71,139	(442,731)
Instructional Staff	468,251	0	80,384	(387,867)
Board of Education	199,632	0	0	(199,632)
Administration	1,439,342	0	0	(1,439,342)
Fiscal	157,035	0	0	(157,035)
Operation and Maintenance of Plant	902,893	0	570	(902,323)
Pupil Transportation	788,386	0	333,175	(455,211)
Central	56,600	0	0	(56,600)
<i>Operation of Non-Instructional Services:</i>				
Food Services	320,676	282,654	74,159	36,137
Community Services	1,813	0	0	(1,813)
Extracurricular Activities	501,225	98,328	12,430	(390,467)
Interest and Fiscal Charges	23,018	0	0	(23,018)
<b>Total Governmental Activities</b>	<b>\$12,006,535</b>	<b>\$992,458</b>	<b>\$1,128,719</b>	<b>(9,885,358)</b>
<b><u>General Revenues:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				5,360,910
<i>Income Taxes Levied for:</i>				
General Purposes				2,147,116
Grants and Entitlements not Restricted to Specific Programs				3,507,396
Gifts and Donations				13,096
Investment Earnings				39,651
Gain on Sale of Capital Assets				1,331
Miscellaneous				59,433
<b>Total General Revenues</b>				<b>11,128,933</b>
Change in Net Assets				1,243,575
<i>Net Assets at Beginning of Year (Restated)</i>				2,853,636
<i>Net Assets at End of Year</i>				<b>\$4,097,211</b>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$25,462	\$25,462
Property Taxes Receivable	4,828,802	0	4,828,802
Income Taxes Receivable	927,232	0	927,232
Accounts Receivable	515	0	515
Intergovernmental Receivable	91,652	18,954	110,606
Accrued Interest Receivable	6,045	0	6,045
Interfund Receivable	0	112,058	112,058
Prepaid Items	5,997	0	5,997
Materials and Supplies Inventory	0	4,450	4,450
<b><u>Restricted Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	94,094	0	94,094
<b>Total Assets</b>	<b>\$5,954,337</b>	<b>\$160,924</b>	<b>\$6,115,261</b>
<b><u>Liabilities and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	204,173	16,745	220,918
Accrued Wages and Benefits	921,958	63,851	985,809
Interfund Payable	213,263	0	213,263
Intergovernmental Payable	233,445	21,651	255,096
Deferred Revenue	4,275,122	0	4,275,122
<b>Total Liabilities</b>	<b>5,847,961</b>	<b>102,247</b>	<b>5,950,208</b>
<b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	72,957	53,632	126,589
Reserved for Property Taxes	612,491	0	612,491
Reserved for Prepays	5,997	0	5,997
Reserved for Capital Improvements	54,471	0	54,471
Reserved for Budget Stabilization	27,905	0	27,905
Reserved for Textbooks and Instructional Materials	11,718	0	11,718
Reserved for Other Purposes	0	25,000	25,000
<b><u>Unreserved, Undesignated, Reported in:</u></b>			
General Fund	(679,163)	0	(679,163)
Special Revenue Funds	0	(20,417)	(20,417)
Permanent Fund	0	462	462
<b>Total Fund Balances</b>	<b>106,376</b>	<b>58,677</b>	<b>165,053</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$5,954,337</b>	<b>\$160,924</b>	<b>\$6,115,261</b>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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<b>Total Governmental Funds Balances</b>	\$165,053
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,232,493
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:	
Property taxes	282,613
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:	
Compensated absences	(738,362)
An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>155,414</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$4,097,211</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Property Taxes	\$5,371,180	\$0	\$5,371,180
Income Taxes	2,147,116	0	2,147,116
Intergovernmental	4,062,817	502,057	4,564,874
Interest	39,170	481	39,651
Tuition and Fees	611,476	0	611,476
Extracurricular Activities	0	98,328	98,328
Charges for Services	0	282,654	282,654
Rentals	12,342	0	12,342
Contributions and Donations	13,096	12,430	25,526
Miscellaneous	35,845	11,247	47,092
<i>Total Revenues</i>	<u>12,293,042</u>	<u>907,197</u>	<u>13,200,239</u>
<b><u>Expenditures:</u></b>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	4,572,328	8,348	4,580,676
Special	1,057,772	280,253	1,338,025
Vocational	206,673	147	206,820
Other	437,966	0	437,966
<i>Support Services:</i>			
Pupils	441,352	73,482	514,834
Instructional Staff	399,723	74,168	473,891
Board of Education	199,786	0	199,786
Administration	1,507,809	0	1,507,809
Fiscal	156,717	0	156,717
Operation and Maintenance of Plant	829,808	570	830,378
Pupil Transportation	702,186	0	702,186
Central	56,600	0	56,600
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	0	324,627	324,627
Community Services	0	1,813	1,813
Extracurricular Activities	373,335	107,635	480,970
<i>Debt Service:</i>			
Interest and Fiscal Charges	23,018	0	23,018
<i>Total Expenditures</i>	<u>10,965,073</u>	<u>871,043</u>	<u>11,836,116</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,327,969</u>	<u>36,154</u>	<u>1,364,123</u>
<b><u>Other Financing Sources:</u></b>			
Proceeds from the Sale of Capital Assets	1,331	0	1,331
<i>Total Other Financing Sources</i>	<u>1,331</u>	<u>0</u>	<u>1,331</u>
<i>Net Change in Fund Balances</i>	1,329,300	36,154	1,365,454
<i>Fund Balances at Beginning of Year</i>	<u>(1,222,924)</u>	<u>22,523</u>	<u>(1,200,401)</u>
<i>Fund Balances at End of Year</i>	<u>\$106,376</u>	<u>\$58,677</u>	<u>\$165,053</u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$1,365,454
<b><i>Amounts reported for governmental activities in the statement of activities are different because:</i></b>	
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 exceeded capital outlay in the current period.	(286,106)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of: Property taxes	48,540
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of: Compensated absences	38,249
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.	<u>77,438</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,243,575</u></u>
See accompanying notes to the basic financial statements.	



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Revenues:</u></b>				
Property Taxes	\$4,929,114	\$5,086,195	\$4,924,718	(\$161,477)
Income Taxes	1,650,344	1,915,052	1,915,052	0
Intergovernmental	3,983,581	3,994,690	4,029,976	35,286
Interest	21,000	30,000	35,949	5,949
Tuition and Fees	484,126	604,155	611,028	6,873
Rentals	14,181	12,020	12,342	322
Contributions and Donations	17,000	13,000	13,096	96
Miscellaneous	28,959	29,400	36,330	6,930
<b>Total Revenues</b>	<b>11,128,305</b>	<b>11,684,512</b>	<b>11,578,491</b>	<b>(106,021)</b>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,774,911	4,918,984	4,896,001	22,983
Special	997,954	1,115,594	1,124,754	(9,160)
Vocational	206,907	211,583	216,887	(5,304)
Other	338,047	423,676	439,825	(16,149)
<i>Support Services:</i>				
Pupils	461,600	453,942	462,630	(8,688)
Instructional Staff	414,536	420,736	415,149	5,587
Board of Education	216,948	215,404	229,135	(13,731)
Administration	1,395,157	1,497,087	1,530,183	(33,096)
Fiscal	159,283	163,653	158,984	4,669
Operation and Maintenance of Plant	805,896	859,782	833,629	26,153
Pupil Transportation	609,646	634,388	731,774	(97,386)
Central	56,093	57,093	59,865	(2,772)
Extracurricular Activities	337,812	377,719	376,899	820
<i>Debt Service:</i>				
Principal Retirement	750,000	750,000	750,000	0
Interest and Fiscal Charges	24,300	24,300	23,018	1,282
<b>Total Expenditures</b>	<b>11,549,090</b>	<b>12,123,941</b>	<b>12,248,733</b>	<b>(124,792)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(420,785)</b>	<b>(439,429)</b>	<b>(670,242)</b>	<b>(230,813)</b>
<b><u>Other Financing Sources:</u></b>				
Proceeds from the Sale of Notes	750,000	750,000	750,000	0
Proceeds from Sale of Capital Assets	1,000	1,400	1,331	(69)
<b>Total Other Financing Sources</b>	<b>751,000</b>	<b>751,400</b>	<b>751,331</b>	<b>(69)</b>
<b>Change in Fund Balances</b>	<b>(330,215)</b>	<b>311,971</b>	<b>81,089</b>	<b>(230,882)</b>
<b>Fund Balance at Beginning of Year</b>	<b>(350,672)</b>	<b>(350,672)</b>	<b>(350,672)</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>57,573</b>	<b>57,573</b>	<b>57,573</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$37,116</b>	<b>\$18,872</b>	<b>(\$212,010)</b>	<b>(\$230,882)</b>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006**

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	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b><u>Assets:</u></b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,987
Cash and Cash Equivalents with Fiscal Agents	39,901
Interfund Receivable	<u>101,205</u>
<i>Total Current Assets</i>	<u>160,093</u>
<b><u>Liabilities:</u></b>	
<i>Current Liabilities:</i>	
Claims Payable	<u>4,679</u>
<b><u>Net Assets:</u></b>	
Unrestricted	<u>\$ 155,414</u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	<u>\$923,145</u>
<b><u>Operating Expenses:</u></b>	
Purchased Services	751,909
Claims	<u>93,798</u>
<i>Total Operating Expenses</i>	<u>845,707</u>
<i>Change in Net Assets</i>	77,438
<i>Net Assets at Beginning of Year (Restated)</i>	<u>77,976</u>
<i>Net Assets at End of Year</i>	<u><u>\$155,414</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Governmental Activities Internal Service
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Interfund Charges	\$923,145
Cash Payments for Goods and Services	(751,909)
Cash Payments for Claims	(95,478)
<i>Net Cash from Operating Activities</i>	75,758
<b><u>Cash Flows from NonCapital Financing Activities:</u></b>	
Cash Advances to Other Funds	(74,014)
<i>Net Cash Used for Noncapital Financing Activities</i>	(74,014)
<i>Net Increase in Cash and Cash Equivalents</i>	1,744
<i>Cash and Cash Equivalents at Beginning of Year (Restated)</i>	57,144
<i>Cash and Cash Equivalents at End of Year</i>	\$58,888
 <b><u>Reconciliation of Operating Income to Net Cash from Operating Activities:</u></b>	
Operating Income (Loss)	\$77,438
 <b><u>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</u></b>	
<i>Decrease in Liabilities:</i>	
Claims Payable	(1,680)
Total Adjustments	(1,680)
<i>Net Cash from Operating Activities</i>	\$75,758
See accompanying notes to the basic financial statements.	

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

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	Private Purpose Trust	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$2,815	\$38,893
<b><u>Liabilities:</u></b>		
Accounts Payable	101	4,659
Due to Students	0	34,234
<i>Total Liabilities</i>	101	38,893
<b><u>Net Assets:</u></b>		
<i>Held in Trust for:</i>		
Other Individuals and Organizations	\$2,714	\$0

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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	<u>Private Purpose Trust</u>
<b><u>Additions:</u></b>	
Gifts and Donations	\$2,151
Interest	<u>36</u>
<i>Total Additions</i>	2,187
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	<u>2,074</u>
<i>Change in Net Assets</i>	113
<i>Net Assets at Beginning of Year</i>	<u>2,601</u>
<i>Net Assets at End of Year</i>	<u><u>\$2,714</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

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

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Bloom-Carroll Local School District, (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in Fairfield County, within portions of Bloom Township and Greenfield Township, and the Village of Carroll, Ohio. It is staffed by 49 non-certificated employees, 102 (including administrative) full-time and part-time employees who provide services to 1,568 students in grades K through 12 and various community groups, which ranks it 380 out of approximately 705 public and community school districts in Ohio. The District currently operates 4 instructional buildings.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

The District is associated with four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Metropolitan Educational Council, the South Central Ohio Insurance Consortium, Central Ohio Special Education Regional Resource Center and Sheakley Uniservice, Inc. Worker's Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

The 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 on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**A. Basis of Presentation**

The District's basic financial statement consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. The major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus 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.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**B. Fund Accounting (Continued)**

**Governmental Funds (Continued)**

The following is the District's only major governmental fund:

**General Fund** - This 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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources of the District whose use is restricted to a particular purpose.

**Proprietary Fund**

The proprietary fund focus is on the determination of operating income, change in net assets, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

**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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are a private purpose trust fund used to account for assets held for individuals and an agency fund which is used to account for student managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**C. Measurement Focus (Continued)**

**Fund Financial Statements**

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 balance 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.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in total fund assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using economic resource measurement focus.

**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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 the fiscal year-end: property taxes available for advance, income taxes, tuition, grants and interest.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Interest in the pool is presented as "cash and cash equivalents" on the financial statements.

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$39,170, which includes \$15,754 assigned from other District funds.

Cash and cash equivalents that are held separately with the District's third party administrator for its self insurance program, and not included in the District Treasury, are recorded as "Cash and Cash Equivalents with Fiscal Agents".

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted assets in the General Fund include amounts required by statute to be set-aside by the District to create a reserve for textbooks, capital improvements and budget stabilization. See Note 19 for additional information regarding set-asides.

**I. Capital Assets**

General capital assets are associated with and generally arise from 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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

All reported capital assets, except land and construction in progress, 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>	<u>Estimated Lives</u>
Land Improvements/Infrastructure	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years
Library Books and Textbooks	6 years

**J. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's leave policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

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

On the 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. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**L. Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities and long-term liabilities 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 judgements and compensated absences 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 in the current year.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The District reserves those portions of fund balance 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, property taxes, prepaids, capital improvements, budget stabilization and endowment.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for prepaids represents the portion of fund balance segregated for prepaid items to indicate that they do not represent expendable financial resources. The reserve for endowment represents the principal amount of the permanent trust legally restricted for endowment purposes. The reserve for capital improvements, textbooks and instructional materials, and budget stabilization represents money required to be set-aside by statute.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**P. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one 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 to the funds that initially paid for them are not presented on the financial statements.

**Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

**R. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The District Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2006.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**NOTE 3 - NEW GASB PRONOUNCEMENTS**

For fiscal year 2006, the District implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits." The implementation of GASB Statements No. 46 and 47 had no effect on the financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 - ACCOUNTING CHANGE**

The District's medical and dental insurance is provided through the South Central Ohio Insurance Consortium (SCOIC). In previous years, the medical and dental insurance has been accounted for as a self-funded plan. After review of their policies and agreements, the SCOIC has determined the medical insurance portion of the program is not a self-funded plan, but is actually premium based plan for which the District does not have a liability or a claim to the cash paid to the SCOIC for this plan. A prior period restatement has been made to eliminate claims payable and cash held by the fiscal agent for the medical insurance portion of the District's plan as of June 30, 2005, which resulted in the decrease of net assets of the Internal Service Fund and Governmental Activities.

	Governmental Activities	Internal Service Fund
Net Assets at June 30, 2005	\$2,974,591	\$198,931
Decrease Cash Held by Fiscal Agent	(196,607)	(196,607)
Decrease Claims Payable	75,652	75,652
Adjusted Net Assets at June 30, 2005	\$2,853,636	\$77,976

**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

The following funds had deficit fund balances as of June 30, 2006:

*Nonmajor Special Revenue Funds:*

Entry Year	\$94
Title VI-B	31,183
Title I	12,566
Title V	2,299

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**Compliance**

At June 30, 2006, the following cash basis deficit fund balances existed:

General Fund	\$212,010
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In addition, the General Fund had expenditures in excess of appropriations contrary to Section 5705.41(B), Revised Code, in the amount of \$124,792.

The District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Other sources.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
Budget Basis	\$81,089
<i>Adjustments:</i>	
Revenue Accruals	714,551
Expenditure Accruals	1,190,817
Encumbrances	92,843
Other Sources	(750,000)
GAAP Basis	<u><u>\$1,329,300</u></u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 7 - 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 has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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.

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 deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 7 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$85,133 of the District's bank balance of \$185,133 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments:** As of June 30, 2006, the District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
STAR Ohio	\$11,738	Average 34.77 Days
Total	\$11,738	

**Interest Rate Risk:** The District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

**Credit Risk:** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

**Concentration of Credit Risk:** The District places no limit on the amount it may invest in any one issuer. The District's investment in STAR Ohio represents 100% of the District's total investments.

**NOTE 8 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property are required to be revalued every six years.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 8 - PROPERTY TAXES - (Continued)**

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid 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.

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

Accrued property taxes receivable represents the June 2006 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2006 was \$612,491 and is recognized as revenue 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 is deferred.

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

	2005 Second-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$228,889,290	93.41%	\$239,613,520	93.38%
Public Utility Personal	9,591,910	3.91%	9,385,990	3.66%
Tangible Personal Property	6,560,690	2.68%	7,605,510	2.96%
Total Assessed Value	<u>\$245,041,890</u>	<u>100.00%</u>	<u>\$256,605,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.30		\$42.30	

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 9- INCOME TAXES**

The District levies a voted tax of 1.25 percent for general operations on the income of residents. The District had a 0.75 percent tax that was effective on January 1, 1998 and is a continuing tax. In November 2005, the voters of the District passed an additional income tax levy of 0.50 percent that became effective January 1, 2006. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$2,147,116 was credited to the General Fund during fiscal year 2006.

**NOTE 10 - INTERFUND ACTIVITY**

As of June 30, 2006 receivables and payables that resulted from a deficit General Fund balance were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$0	\$213,263
Nonmajor Special Revenue Funds	112,058	0
Internal Service Fund	101,205	0
Total	\$213,263	\$213,263

**NOTE 11 - RECEIVABLES**

Receivables at June 30, 2006 consisted of property taxes, income taxes, accounts (student fees), interfund, interest, and intergovernmental grants. 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 intergovernmental receivables follows:

<u>Governmental Activities:</u>	
<i>General Fund</i>	\$91,652
<i>Nonmajor Special Revenue Funds:</i>	
Foodservice	9,198
Title II-A	9,756
Total Nonmajor Special Revenue Funds	18,954
Total Intergovernmental Receivable	\$110,606

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 12 - CAPITAL ASSETS**

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

Asset Category	Balance at July 1, 2005	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2006
<i>Nondepreciable Capital Assets:</i>				
Land	\$806,734	\$0	\$0	\$806,734
<i>Depreciable Capital Assets:</i>				
Land Improvements/Infrastructure	350,305	0	0	350,305
Buildings and Improvements	5,263,057	24,566	0	5,287,623
Furniture, Fixtures and Equipment	2,641,709	15,632	(122,914)	2,534,427
Vehicles	1,068,583	0	0	1,068,583
Library Books and Textbooks	243,567	0	0	243,567
Total Depreciable Capital Assets	<u>9,567,221</u>	<u>40,198</u>	<u>(122,914)</u>	<u>9,484,505</u>
Total Capital Assets	<u>10,373,955</u>	<u>40,198</u>	<u>(122,914)</u>	<u>10,291,239</u>
<i>Accumulated Depreciation:</i>				
Land Improvements/Infrastructure	(67,225)	(17,515)	0	84,740
Buildings and Improvements	(2,793,048)	(114,620)	0	2,907,668
Furniture, Fixtures and Equipment	(2,088,014)	(112,707)	122,914	2,077,807
Vehicles	(663,739)	(81,368)	0	745,107
Library Books and Textbooks	(243,330)	(94)	0	243,424
Total Accumulated Depreciation	<u>(5,855,356)</u>	<u>(326,304)</u>	<u>122,914</u>	<u>6,058,746</u>
Total Net Capital Assets	<u><u>\$4,518,599</u></u>	<u><u>(\$286,106)</u></u>	<u><u>\$0</u></u>	<u><u>\$4,232,493</u></u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 12 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follow:

*Instruction:*

Regular	\$118,837
Special	404
Vocational	1,413

*Support Services:*

Pupils	8,790
Instructional Staff	9,329
Administration	2,491
Fiscal	714
Operation and Maintenance of Plant	76,946
Pupil Transportation	83,025
Operation of Non-Instructional Services	1,003
Extracurricular Activities	23,352
Total Depreciation Expense	<u>\$326,304</u>

**NOTE 13 - RISK MANAGEMENT**

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. During fiscal year 2006, the District contracted with Indiana Insurance for professional and general liability insurance and fleet insurance. The District contracted with Harcum-Hyre for property insurance.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 13 - RISK MANAGEMENT - (Continued)**

The types and amounts of coverage provided are as follows:

Building and Contents (\$2,500 deductible)	\$22,707,912
Inland Marine Coverage (\$250 deductible)	50,000
<i>Automobile Liability: (\$500 deductible for collision and \$250 comprehensive)</i>	
Each Accident	1,000,000
Aggregate Limit per Year	3,000,000
<i>Professional and General Liability:</i>	
Each Occurrence	1,000,000
Aggregate Limit per Year	2,000,000
Umbrella Liability	2,000,000
<i>Public Officials Bonds:</i>	
Treasurer	50,000
Superintendent	50,000
Board President	50,000
Public Employee Dishonesty	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2006, the District participated in the Sheakley Uniservice, Inc. Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 21). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

The District provides medical, prescription and dental insurance for its employees. Premiums are paid directly to the South Central Ohio Insurance Consortium (SCOIC), who then submits payments for actual claims to North American Benefits Network (NABN), a third party administrator, who services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees' salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves, and administrative costs.

A by-law change of the consortium effective July 1, 2003, made the member districts not self-insured for medical and prescription benefits, but are self-insured for dental benefits. This change made the risk transfer to the SCOIC for medical and prescription benefits; however, the risk for dental remains with the member districts.

The claims liability of \$4,679 reported in the internal service fund at June 30, 2006, is based on an estimate provided by the actuary for dental claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years for dental are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$74,625	\$74,738	\$143,004	\$6,359
2006	6,359	93,798	95,478	4,679

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, 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, by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2006, 10.58 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$162,451, \$179,700, and \$154,220, respectively; 50.76 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$79,985 representing the unpaid contribution for fiscal year 2006 is recorded as a liability on the statement of net assets.

**State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a 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 of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090 or by visiting the STRS Ohio 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$753,311, \$776,910, and \$707,787, respectively; 84.32 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$118,118 representing the unpaid contribution for fiscal year 2006 is recorded as a liability on the statement of net assets.

**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, 2006, no members of the Board of Education have elected Social Security.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$57,947 during fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005, (the latest information available). For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. 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.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

For fiscal year 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the District paid \$73,942 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information year available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. The number of participants currently receiving health care benefits is approximately 58,123.

**NOTE 16 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for aides and 220 for all other classified employees and 260 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 45 days for aides and all other classified employees, 54 days for certified employees, and 70 days for certified administrative employees.

**Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all full time employees through Aetna in the amount of \$40,000 for all employees. The District pays 100% of the premiums.

**NOTE 17 - NOTE OBLIGATIONS**

The changes in the School District's short-term note obligations during fiscal year 2006 were as follows:

	<b><u>Issue Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Balance at July 1, 2005</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance at June 30, 2006</u></b>
<u>Governmental Activities:</u>						
Tax Anticipation Note	2005	3.24%	\$ 0	\$750,000	\$750,000	\$ 0
Total Governmental Activities						
Note Obligations			\$ 0	\$750,000	\$750,000	\$ 0

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 17 - NOTE OBLIGATIONS - (Continued)**

In July 2005, Bloom-Carroll Local School District issued a \$750,000 tax anticipation note to cover general operating expenses. The tax anticipation note was repaid from the General Fund using the proceeds of the continuing income tax levy. The final payment on the note was made in June 2006.

**NOTE 18 - LONG-TERM LIABILITIES**

The changes in the District's long-term liabilities during fiscal year 2006 were as follows:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>	<u>Amount Due in One Year</u>
<u>Governmental Activities:</u>					
Compensated Absences	\$776,611	\$234,171	\$272,420	\$738,362	\$85,680
Total Governmental Activities	\$776,611	\$234,171	\$272,420	\$738,362	\$85,680
Long-Term Liabilities	<u><u>\$776,611</u></u>	<u><u>\$234,171</u></u>	<u><u>\$272,420</u></u>	<u><u>\$738,362</u></u>	<u><u>\$85,680</u></u>

The compensated absences are paid from the fund from which the respective employees' salaries are paid. Most of the District's employees are paid from the General Fund, with the remainder being paid from the Title VI-B and Title I Funds.

**NOTE 19 - STATUTORY SET-ASIDES**

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2006:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Balance as of July 1, 2005	(\$22,009)	\$59,994	\$27,905	\$65,890
Current Year Set-Aside Requirement	217,472	217,242	0	434,714
Qualifying Disbursements	(104,745)	(22,765)	0	(127,510)
Set-Aside offset	(79,000)	(200,000)	0	(279,000)
Total	<u>11,718</u>	<u>54,471</u>	<u>27,905</u>	<u>94,094</u>
Set-Aside Balance as of June 30, 2006	<u><u>\$11,718</u></u>	<u><u>\$54,471</u></u>	<u><u>\$27,905</u></u>	
Total Restricted Assets				<u><u>\$94,094</u></u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 19 - STATUTORY SET-ASIDES - (Continued)**

Although the District can have qualifying disbursements during the year that exceed the current year set-aside requirements in both the textbook and capital improvement reserve accounts, only the excess in the textbook reserve account can be carried forward to offset future years' textbook set-aside requirements. Each reserve should be represented by restricted cash at year-end and carried forward to be used for the same purposes in future years. Each reserve is restricted on the statements and can be used to offset future year requirements.

In accordance with House Bill 66, the District applied for and was granted a waiver from the Ohio Department of Education an off-set for the Textbook and Capital Improvement set-asides in the amounts of \$79,000 and \$200,000, respectively.

Senate Bill 345 eliminated the Budget Stabilization Reserve, except for amounts related to unspent Bureau of Workers compensation refunds. The Bill requires the Board of Education to designate its intended use of the Reserve. The Board of Education designated, by motion, that the reserve will be used to address unforeseen or emergency situations.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATION**

**Metropolitan Educational Council (MEC)**

MEC is a jointly governed organization among school districts in Franklin, Fairfield, Madison, Pickaway and Union counties. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, the administrative and instructional functions among member districts. Each of the member districts support MEC based upon a per pupil charge, dependent upon services utilized. The governing board consists of a representative from each Franklin County district. Districts outside of Franklin County are associate members and each County selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District paid \$589 to MEC for services provided during fiscal year 2006. In accordance with GASB Statement No. 14, the District does not have any equity interest in MEC because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to any equity interest.

**South Central Ohio Insurance Consortium (SCOIC)**

The SCOIC is a regional council of governments organized under Ohio Revised Code Section 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its members consisting of nine entities within Fairfield and Fayette Counties. The governing board consists of the superintendent or other designees appointed by each of the members of the SCOIC. The participating members pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. The District does not have an ongoing interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for their employees. The District joined the SCOIC on January 1, 2002. To obtain financial information, write to the Liberty Union Thurston Local School District, David Butler, who serves as Treasurer, at 621 W. Washington St., Baltimore, Ohio 43105.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**NOTE 20 - JOINTLY GOVERNED ORGANIZATION - (Continued)**

**Central Ohio Special Education Regional Resource Center**

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

**NOTE 21 - INSURANCE PURCHASING POOL**

**Sheakley Uniservice, Inc. Worker's Compensation Group Rating Plan**

The District participates in a Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool with the Sheakley Uniservice, Inc. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 22 - CONTINGENCIES**

**Grants:** The District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

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# Mary Taylor, CPA

Auditor of State

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

Bloom Carroll Local School District  
Fairfield County  
5240 Plum Road NW  
P.O. Box 338  
Carroll, Ohio 43112-0338

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bloom Carroll Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 9, 2008. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be significant a deficiency in internal control over financial reporting: 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2006-003 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated May 9, 2008.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 9, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, and Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 9, 2009

**BLOOM CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-001**

**Material Noncompliance**

**Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter. Expenditures plus encumbrances exceeded appropriations at June 30, 2006 and 2007 as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund	\$12,123,940	\$12,248,732	(\$124,791)

We recommend the Treasurer request the Board approve increased expenditure levels by amending appropriations when necessary. The Treasurer should not process expenditures that exceed the appropriation limits established by the Board of Education.

Managements' Response:

The variance at June 30, 2007 was due to a 27th pay, which the District was unable to completely appropriate for due to a lack of estimated revenues on the amended certificate. The District is currently solvent with revenues exceeding appropriations and expenditures in every fund.

**FINDING NUMBER 2006-002**

**Material Noncompliance**

**Negative Fund Balances**

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit fund balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance.

The following funds had negative fund balances at month and year ends:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
July 31, 2005	Food Service (006)	(\$40,983)
August 31, 2005	Food Service (006)	(43,526)
September 30, 2005	Food Service (006)	(28,449)
October 31, 2005	Food Service (006)	(13,824)
November 30, 2005	Public School Support (018)	(154)
December 31, 2005	General Fund (001)	(310,510)

**BLOOM CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002 (Continued)**

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
January 31, 2006	General Fund (001)	(\$254,550)
	Food Service (006)	(8,586)
February 28, 2006	General Fund (001)	(271,085)
	Food Service (006)	(26,857)
June 30, 2006	General Fund (001)	(212,010)

The Treasurer should review fund balances as expenditures are made to ensure the appropriate fund balance is available. The Board of Education should review fund balance reports each month to ensure there are no negative fund balances.

**Officials' Response**

We have increased revenues in both the Food Service and General Funds to remedy the deficits.

**FINDING NUMBER 2006-003**

**Significant Deficiency**

**GAAP**

The following errors were noted involving the District's financial statement presentation:

- The amount reported for Deferred Revenue in the General Fund was overstated \$211,780,
- Intergovernmental Receivable in the General Fund was understated \$91,652,
- Accounts Payable in the General Fund was understated \$142,066,
- Accrued Wages and Benefits was overstated \$43,673,
- Original Estimated Revenues were understated \$37, 224, and
- Original Appropriations were overstated \$572,178.
- Claims expenditures of \$854,697 were reclassified as purchased services.

Not presenting financial information accurately resulted in the financial statements requiring the above audit adjustments and reclassification entries, including additional time and effort to identify variances and discrepancies.

We recommend the District's Treasurer take steps to ensure the accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted account principles (GAAP). By exercising accuracy in recording financial activity, the District can reduce posting errors and increase the reliability of the financial data throughout the year and at year end.

The District's financial statements have been adjusted to accurately reflect receivables, payables, estimated revenues and appropriations, and operating expenses.

**Officials' Response**

We did not receive a response from Management to this finding.

**BLOOM CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC Section 5705.10 - negative fund balances.	No	Repeated as finding number 2006-002.





**Mary Taylor, CPA**  
Auditor of State

**BLOOM CARROLL LOCAL SCHOOL DISTRICT**  
**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JULY 15, 2008**