



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bloomfield-Mespo Local School District, Trumbull County, (the District), as of and for the year ended June 30, 2007, 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 Bloomfield-Mespo Local School District, Trumbull County, as of June 30, 2007, and the respective changes in financial position 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 October 31, 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

October 31, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Bloomfield-Mespo Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$220,617 which represents a 20.27% increase from 2006.
- General revenues accounted for \$2,956,351 in revenue or 75.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$977,914 or 24.86% of total revenues of \$3,934,265.
- The District had \$3,713,648 in expenses related to governmental activities; \$977,914 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$2,956,351 were adequate to provide for these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$2,892,106 in revenues and other financing sources and \$2,718,198 in expenditures. During fiscal year 2007, the General Fund's fund balance increased \$173,908 from \$348,080 to \$521,988.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports 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 funds. The District's only major governmental fund is the General Fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-44 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<b><u>Assets</u></b>		
Current and other assets	\$ 2,448,990	\$ 2,216,180
Capital assets, net	665,945	601,128
Total assets	3,114,935	2,817,308
<b><u>Liabilities</u></b>		
Current liabilities	1,594,383	1,457,300
Long-term liabilities	211,500	271,573
Total liabilities	1,805,883	1,728,873
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	658,858	580,686
Restricted	167,060	316,965
Unrestricted	483,134	190,784
Total net assets	\$ 1,309,052	\$ 1,088,435

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$1,309,052. Of this total, \$483,134 is unrestricted in use.

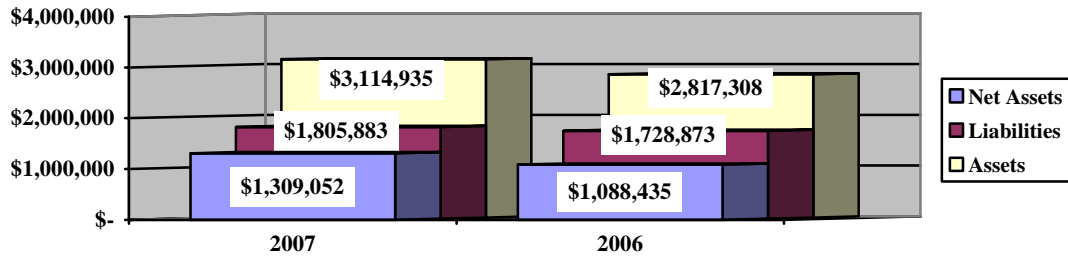
At year-end, capital assets represented 21.38% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$658,858. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

A portion of the District's net assets, \$167,060, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$483,134 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2007 and 2006.

	<b>Change in Net Assets</b>	
	Governmental Activities 2007	Governmental Activities 2006
	<u>2007</u>	<u>2006</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 304,304	\$ 341,639
Operating grants and contributions	659,004	652,857
Capital grants and contributions	14,606	-
General revenues:		
Property taxes	1,294,409	1,043,578
Grants and entitlements	1,596,358	1,532,494
Investment earnings	38,026	30,336
Other	<u>27,558</u>	<u>77,937</u>
Total revenues	<u>3,934,265</u>	<u>3,678,841</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,578,212	\$ 1,624,813
Special	386,749	432,059
Vocational	61,365	57,236
Other	19,221	9,321
Support services:		
Pupil	120,910	139,989
Instructional staff	191,901	235,638
Board of education	16,667	26,171
Administration	364,037	338,235
Fiscal	195,521	193,487
Business	600	-
Operations and maintenance	319,532	320,612
Pupil transportation	201,100	220,430
Central	6,000	6,000
Operation of non-instructional services:		
Food service operations	147,544	127,954
Other non-instructional services	89	341
Extracurricular activities	103,047	100,150
Interest and fiscal charges	<u>1,153</u>	<u>2,176</u>
Total expenses	<u>3,713,648</u>	<u>3,834,612</u>
Change in net assets	220,617	(155,771)
Net assets at beginning of year	<u>1,088,435</u>	<u>1,244,206</u>
Net assets at end of year	<u>\$ 1,309,052</u>	<u>\$ 1,088,435</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$220,617 during fiscal year 2007. Total governmental expenses of \$3,713,648 were offset by program revenues of \$977,914 and general revenues of \$2,956,351. Program revenues supported 26.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 73.48% of total governmental revenue.

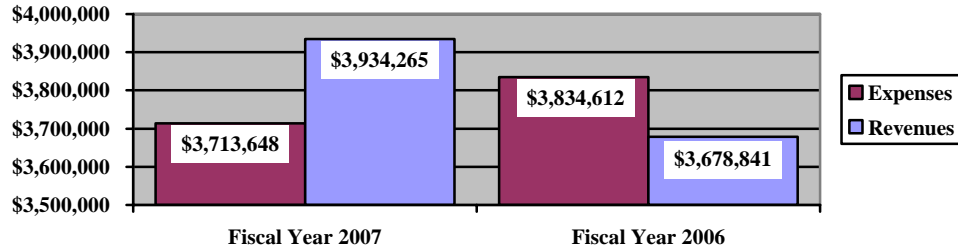
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,045,547 or 55.08% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,578,212	\$ 1,286,602	\$ 1,624,813	\$ 1,284,947
Special	386,749	46,809	432,059	125,085
Vocational	61,365	61,243	57,236	57,236
Other	19,221	(1,591)	9,321	-
Support services:				
Pupil	120,910	100,319	139,989	134,743
Instructional staff	191,901	85,438	235,638	103,460
Board of education	16,667	16,667	26,171	24,286
Administration	364,037	350,697	338,235	320,521
Fiscal	195,521	195,380	193,487	193,487
Business	600	600	-	-
Operations and maintenance	319,532	316,208	320,612	314,161
Pupil transportation	201,100	181,975	220,430	220,430
Central	6,000	-	6,000	-
Operations of non-instructional services:				
Food service operations	147,544	34,269	127,954	7,766
Other non-instructional services	89	89	341	341
Extracurricular activities	103,047	59,876	100,150	51,477
Interest and fiscal charges	1,153	1,153	2,176	2,176
<b>Total expenses</b>	<u>\$ 3,713,648</u>	<u>\$ 2,735,734</u>	<u>\$ 3,834,612</u>	<u>\$ 2,840,116</u>

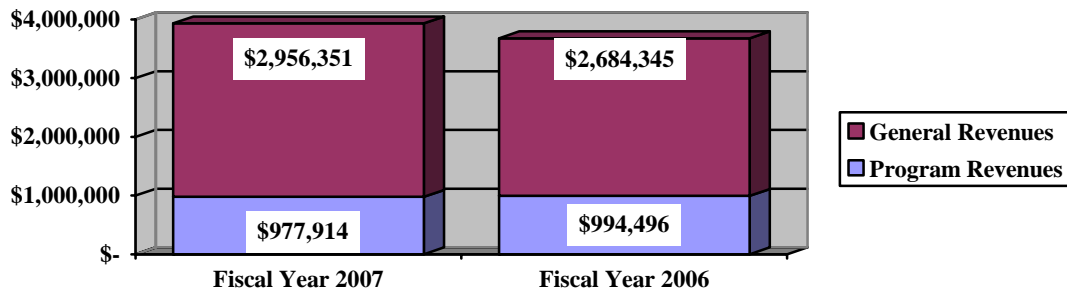
**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The dependence upon tax and other general revenues for governmental activities is apparent, 68.10% and 69.10% of instruction activities are supported through taxes and other general revenues for fiscal years 2007 and 2006, respectively. For all governmental activities, general revenue support is 73.67% for fiscal year 2007. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$614,111, which is greater than last year's total of \$486,163. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 521,988	\$ 348,080	\$ 173,908	49.96 %
Other Governmental	<u>92,123</u>	<u>138,083</u>	<u>(45,960)</u>	(33.28) %
Total	<u>\$ 614,111</u>	<u>\$ 486,163</u>	<u>\$ 127,948</u>	26.32 %

**General Fund**

The District's General Fund balance increased \$173,908. The increase in fund balance can be attributed to several items related to increasing revenues and decreased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>2006</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 965,225	\$ 959,782	\$ 5,443	0.57 %
Tuition	208,910	237,963	(29,053)	(12.21) %
Earnings on investments	38,026	28,398	9,628	33.90 %
Classroom materials and fees	4,890	3,533	1,357	38.41 %
Intergovernmental	1,641,934	1,513,551	128,383	8.48 %
Other revenues	<u>29,298</u>	<u>85,026</u>	<u>(55,728)</u>	<u>(65.54) %</u>
Total	<u>\$ 2,888,283</u>	<u>\$ 2,828,253</u>	<u>\$ 60,030</u>	2.12 %
<b><u>Expenditures</u></b>				
Instruction	\$ 1,404,620	\$ 1,475,271	\$ (70,651)	(4.79) %
Support services	1,241,693	1,255,457	(13,764)	(1.10) %
Non-instructional services	89	341	(252)	(73.90) %
Extracurricular activities	57,288	51,252	6,036	11.78 %
Debt service	<u>14,508</u>	<u>14,508</u>	<u>-</u>	- %
Total	<u>\$ 2,718,198</u>	<u>\$ 2,796,829</u>	<u>\$ (78,631)</u>	(2.81) %

Intergovernmental revenues increased \$128,383 or 8.48% due to an increase in the number of grants the District received during 2007. Other revenues decreased \$55,728, or 65.54% from the prior year. This decrease is attributed to a change in accounting for the refund of prior year expenditures on a GAAP basis. The increase in investment income is due to increasing interest rates throughout the year. Instruction and support service expenditures decreased \$70,651 and \$13,764, respectively, or 4.79% and 1.10% respectively.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2007, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues and other financing sources were \$2,915,769 and final budgeted revenues and other financing sources were \$2,943,364. Actual revenues and other financing sources for fiscal 2007 was \$2,947,185. This represents a \$3,821 increase over final budgeted revenues.

General Fund original appropriations of \$3,269,313 were increased to \$3,349,313 in the final budget. The actual budget basis expenditures for fiscal year 2007 totaled \$2,973,916, which was \$375,397 less than the final budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2007, the District had \$665,945 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 15,000	\$ 15,000
Land improvements	15,521	16,536
Building and improvements	421,735	455,345
Furniture and equipment	50,568	51,433
Vehicles	163,121	62,814
Total	\$ 665,945	\$ 601,128

The overall increase in capital assets of \$64,817 is due to capital outlays of \$142,648 exceeding depreciation expense of \$77,831 in the fiscal year.

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

*Debt Administration*

At June 30, 2007, the District had \$7,087 in capital lease obligations outstanding. Of this total, \$7,087 is due within one year. The following table summarizes the lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2007	2006
Capital lease obligations	\$ 7,087	\$ 20,422
Total	\$ 7,087	\$ 20,422

At June 30, 2007, the District's overall legal debt margin was \$4,543,033, and an unvoted debt margin of \$50,478.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Current Financial Related Activities**

The District faces many challenges in the future. Our arsenic removal system was installed in August of 2007 and we are now in compliance with the Ohio EPA's allowable arsenic guidelines. We will be undergoing major septic system upgrades in the spring of 2008 at the Bloomfield school building site.

We purchased two new buses last calendar year. We currently have 4 buses making our daily runs, model years 2001, 2004, 2007 and a 2008. We are looking into purchasing a new bus in the fall of 2008. The District's policy is to replace buses every six years.

We have been working with the Trumbull County Prosecutor's Office on the main roof replacement on the Bloomfield school building. We have not heard back from the roof warranty company at this time.

We passed a three mill permanent improvement levy in November 2006 and started receiving tax money beginning in January 2007. This levy generates \$152,000.00 per year. The following is a list of some of the items that we have expended the P.I. Levy and General Fund on up to the present time:

New bus, partial roof replacements at Bloomfield school building, arsenic removal system, band risers, portable stage, Bloomfield school building brick pointing, and the following doors were replaced in the Bloomfield school building: outside cafeteria, outside gym, and the outside basement. The basement door was replaced in the Mespo school building.

We plan on replacing the three remaining small roofs at Bloomfield school building within the next year.

**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 receives. If you have questions about this report or need additional financial information contact Mr. Bill Daugherty, Treasurer, 2077 Park Road W, North Bloomfield, Ohio 44450-9730.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 926,854
Receivables:	
Taxes . . . . .	1,375,975
Accounts . . . . .	6,646
Intergovernmental . . . . .	133,150
Prepayments . . . . .	5,028
Materials and supplies inventory . . . . .	1,337
Capital assets:	
Land . . . . .	15,000
Depreciable capital assets, net . . . . .	650,945
Capital assets, net. . . . .	665,945
 Total assets. . . . .	 3,114,935
<b>Liabilities:</b>	
Accounts payable. . . . .	42,542
Accrued wages and benefits . . . . .	209,095
Pension obligation payable. . . . .	95,299
Intergovernmental payable . . . . .	18,972
Unearned revenue . . . . .	1,228,475
Long-term liabilities:	
Due within one year. . . . .	39,541
Due within more than one year . . . . .	171,959
Total liabilities . . . . .	1,805,883
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	658,858
Restricted for:	
Capital projects . . . . .	5,998
State funded programs . . . . .	4,827
Federally funded programs . . . . .	111,626
Student activities . . . . .	28,860
Other purposes . . . . .	15,749
Unrestricted. . . . .	483,134
Total net assets . . . . .	\$ 1,309,052

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 1,578,212	\$ 222,743	\$ 67,555	\$ 1,312	\$ (1,286,602)
Special . . . . .	386,749	-	339,940	-	(46,809)
Vocational . . . . .	61,365	-	122	-	(61,243)
Other . . . . .	19,221	-	20,812	-	1,591
Support services:					
Pupil . . . . .	120,910	-	20,591	-	(100,319)
Instructional staff . . . . .	191,901	-	106,463	-	(85,438)
Board of education . . . . .	16,667	-	-	-	(16,667)
Administration . . . . .	364,037	-	12,654	686	(350,697)
Fiscal . . . . .	195,521	-	-	141	(195,380)
Business . . . . .	600	-	-	-	(600)
Operations and maintenance . . . . .	319,532	-	3,064	260	(316,208)
Pupil transportation . . . . .	201,100	-	6,918	12,207	(181,975)
Central . . . . .	6,000	-	6,000	-	-
Operation of non-instructional services:					
Food service operations . . . . .	147,544	38,390	74,885	-	(34,269)
Other non-instructional services . . . . .	89	-	-	-	(89)
Extracurricular activities . . . . .	103,047	43,171	-	-	(59,876)
Interest and fiscal charges . . . . .	1,153	-	-	-	(1,153)
Total governmental activities . . . . .	<u>\$ 3,713,648</u>	<u>\$ 304,304</u>	<u>\$ 659,004</u>	<u>\$ 14,606</u>	<u>(2,735,734)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,070,220
Special revenue . . . . .					150,834
Capital projects . . . . .					73,355
Grants and entitlements not restricted to specific programs . . . . .					1,596,358
Investment earnings . . . . .					38,026
Miscellaneous . . . . .					27,558
Total general revenues . . . . .					<u>2,956,351</u>
Change in net assets . . . . .					220,617
<b>Net assets at beginning of year . . . . .</b>					<u>1,088,435</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 1,309,052</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 777,962	\$ 133,143	\$ 911,105
Receivables:			
Taxes . . . . .	1,079,446	296,529	1,375,975
Accounts . . . . .	3,672	2,974	6,646
Intergovernmental . . . . .	-	133,150	133,150
Prepayments . . . . .	5,013	15	5,028
Materials and supplies inventory . . . . .	-	1,337	1,337
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	15,749	-	15,749
Total assets . . . . .	\$ 1,881,842	\$ 567,148	\$ 2,448,990
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 21,631	\$ 20,911	\$ 42,542
Accrued wages and benefits . . . . .	156,939	52,156	209,095
Compensated absences payable . . . . .	12,500	-	12,500
Pension obligation payable. . . . .	75,334	19,965	95,299
Intergovernmental payable. . . . .	18,387	585	18,972
Deferred revenue. . . . .	142,446	85,550	227,996
Unearned revenue. . . . .	932,617	295,858	1,228,475
Total liabilities . . . . .	1,359,854	475,025	1,834,879
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	206,623	6,978	213,601
Reserved for materials and supplies inventory. . . . .	-	1,337	1,337
Reserved for prepayments . . . . .	5,013	15	5,028
Reserved for property tax unavailable for appropriation . . . . .	4,383	671	5,054
Reserved for BWC refunds. . . . .	13,233	-	13,233
Reserved for school bus purchases. . . . .	2,516	-	2,516
Unreserved, undesignated, reported in:			
General fund . . . . .	290,220	-	290,220
Special revenue funds. . . . .	-	77,795	77,795
Capital projects funds. . . . .	-	5,327	5,327
Total fund balances . . . . .	521,988	92,123	614,111
Total liabilities and fund balances . . . . .	\$ 1,881,842	\$ 567,148	\$ 2,448,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances</b>		\$ 614,111
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		665,945
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 142,446	
Intergovernmental revenue	<u>85,550</u>	
Total		227,996
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	191,913	
Capital lease obligation payable	<u>7,087</u>	
Total		<u>(199,000)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 1,309,052</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 965,225	\$ 224,189	\$ 1,189,414
Tuition . . . . .	208,910	-	208,910
Earnings on investments . . . . .	38,026	2,100	40,126
Charges for services . . . . .	-	38,390	38,390
Extracurricular . . . . .	-	43,171	43,171
Classroom materials and fees . . . . .	4,890	-	4,890
Other local revenues . . . . .	29,298	3,380	32,678
Intergovernmental - State . . . . .	1,641,934	70,500	1,712,434
Intergovernmental - Federal . . . . .	-	664,798	664,798
Total revenue . . . . .	<u>2,888,283</u>	<u>1,046,528</u>	<u>3,934,811</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	1,265,575	295,889	1,561,464
Special . . . . .	78,137	316,313	394,450
Vocational . . . . .	60,908	-	60,908
Other . . . . .	-	19,221	19,221
Support services:			
Pupil . . . . .	106,966	18,178	125,144
Instructional staff . . . . .	55,353	134,131	189,484
Board of education . . . . .	16,667	-	16,667
Administration . . . . .	333,429	22,774	356,203
Fiscal . . . . .	190,354	3,894	194,248
Business . . . . .	600	-	600
Operations and maintenance . . . . .	312,435	6,380	318,815
Pupil transportation . . . . .	225,889	74,487	300,376
Central . . . . .	-	6,000	6,000
Operation of non-instructional services:			
Food service operations . . . . .	-	149,342	149,342
Other non-instructional services . . . . .	89	-	89
Extracurricular activities . . . . .	57,288	45,759	103,047
Facilities acquisition and construction . . . . .	-	120	120
Debt service:			
Principal retirement . . . . .	13,355	-	13,355
Interest and fiscal charges . . . . .	1,153	-	1,153
Total expenditures . . . . .	<u>2,718,198</u>	<u>1,092,488</u>	<u>3,810,686</u>
Excess of revenues over (under) expenditures . . . . .	<u>170,085</u>	<u>(45,960)</u>	<u>124,125</u>
<b>Other financing sources:</b>			
Sale of capital assets . . . . .	3,823	-	3,823
Total other financing sources . . . . .	<u>3,823</u>	<u>-</u>	<u>3,823</u>
Net change in fund balances . . . . .	173,908	(45,960)	127,948
<b>Fund balances at beginning of year . . . . .</b>	<u>348,080</u>	<u>138,083</u>	<u>486,163</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 521,988</u>	<u>\$ 92,123</u>	<u>\$ 614,111</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Net change in fund balances - total governmental funds** \$ 127,948

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlay	\$ 142,648	
Depreciation expense	(77,831)	
<b>Total</b>	<b>64,817</b>	<b>64,817</b>

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

Taxes	104,995	
Intergovernmental	(109,364)	
<b>Total</b>	<b>(4,369)</b>	<b>(4,369)</b>

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

13,355

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

18,866

**Change in net assets of governmental activities** **\$ 220,617**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 953,669	\$ 963,944	\$ 963,944	\$ -
Tuition. . . . .	206,683	208,910	208,910	-
Earnings on investments. . . . .	37,621	34,197	38,026	3,829
Classroom materials and fees . . . . .	4,838	4,898	4,890	(8)
Other local revenues . . . . .	14,458	14,614	14,614	-
Intergovernmental - State . . . . .	1,624,431	1,641,934	1,641,934	-
<b>Total revenue . . . . .</b>	<u>2,841,700</u>	<u>2,868,497</u>	<u>2,872,318</u>	<u>3,821</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,427,551	1,462,485	1,298,566	163,919
Special. . . . .	141,219	144,674	128,459	16,215
Vocational. . . . .	66,475	68,102	60,469	7,633
Support services:				
Pupil. . . . .	149,119	152,767	135,645	17,122
Instructional staff . . . . .	91,734	93,978	83,445	10,533
Board of education . . . . .	29,053	29,764	26,428	3,336
Administration. . . . .	403,087	412,951	366,667	46,284
Fiscal . . . . .	206,461	211,513	187,806	23,707
Business . . . . .	660	676	600	76
Operations and maintenance. . . . .	396,493	406,195	360,668	45,527
Pupil transportation . . . . .	295,534	302,765	268,831	33,934
Extracurricular activities. . . . .	61,927	63,443	56,332	7,111
<b>Total expenditures . . . . .</b>	<u>3,269,313</u>	<u>3,349,313</u>	<u>2,973,916</u>	<u>375,397</u>
Excess of revenues under expenditures. . . . .	<u>(427,613)</u>	<u>(480,816)</u>	<u>(101,598)</u>	<u>379,218</u>
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	70,288	71,045	71,045	-
Sale of capital assets. . . . .	3,781	3,822	3,822	-
<b>Total other financing sources . . . . .</b>	<u>74,069</u>	<u>74,867</u>	<u>74,867</u>	<u>-</u>
Net change in fund balance . . . . .	(353,544)	(405,949)	(26,731)	379,218
<b>Fund balance at beginning of year. . . . .</b>	522,741	522,741	522,741	-
<b>Prior year encumbrances appropriated . . . . .</b>	90,557	90,557	90,557	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 259,754</u>	<u>\$ 207,349</u>	<u>\$ 586,567</u>	<u>\$ 379,218</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	4,248
Receivables:		
Accounts . . . . .		<u>331</u>
Total assets. . . . .	\$	<u><u>4,579</u></u>
<b>Liabilities:</b>		
Due to students . . . . .	\$	<u>4,579</u>
Total liabilities . . . . .	\$	<u><u>4,579</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

The District is the 663<sup>rd</sup> largest by enrollment among the 876 public and community school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 25 non-certified and 34 certificated personnel to provide services to approximately 330 students and other community members.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Management Information Network (NEOMIN)

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

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

Trumbull Career and Technical Center

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2007 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education by fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2007; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$38,026, which includes \$6,047 assigned from other funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District did not have any interfund loans during fiscal year 2007.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a budget reserve and capital acquisition reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 15.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balance**

Fund balances at June 30, 2007 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor Fund</u>	
Title II-A	\$ 6,822

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. This deficit fund balance is the result of adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

Interim monies to be deposited or invested in the following securities:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$83,572. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$102,197 of the District's bank balance of \$202,197 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

**B. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturity 6 months or less
STAR Ohio	\$ 847,530	\$ 847,530

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 847,530	100.00%

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 83,572
Investments	<u>847,530</u>
Total	<u>\$ 931,102</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 926,854
Agency fund	<u>4,248</u>
Total	<u>\$ 931,102</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 5 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$4,383 in the general fund and \$671 in the permanent improvement fund, a nonmajor fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$3,102 in the general fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 48,109,670	94.66	\$ 49,216,150	95.38
Public utility personal	1,545,090	3.04	1,543,610	2.99
Tangible personal property	<u>1,170,333</u>	<u>2.30</u>	<u>838,648</u>	<u>1.63</u>
 Total	 <u>\$ 50,825,093</u>	 <u>100.00</u>	 <u>\$ 51,598,408</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 54.45		 \$ 57.40	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities</b>	
Taxes	\$ 1,375,975
Accounts	6,646
Intergovernmental	<u>133,150</u>
Total	<u>\$ 1,515,771</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/07</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	54,172	-	-	54,172
Buildings and improvements	1,670,982	-	-	1,670,982
Furniture and equipment	227,569	19,013	-	246,582
Vehicles	339,526	123,635	(113,963)	349,198
Total capital assets, being depreciated	<u>2,292,249</u>	<u>142,648</u>	<u>(113,963)</u>	<u>2,320,934</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(37,636)	(1,015)	-	(38,651)
Buildings and improvements	(1,215,637)	(33,610)	-	(1,249,247)
Furniture and equipment	(176,136)	(19,878)	-	(196,014)
Vehicles	(276,712)	(23,328)	113,963	(186,077)
Total accumulated depreciation	<u>(1,706,121)</u>	<u>(77,831)</u>	<u>113,963</u>	<u>(1,669,989)</u>
Governmental activities capital assets, net	<u>\$ 601,128</u>	<u>\$ 64,817</u>	<u>\$ -</u>	<u>\$ 665,945</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 44,793
Special	1,983
<u>Support Services:</u>	
Pupil	309
Instructional staff	691
Administration	818
Operations and maintenance	500
Pupil transportation	23,328
Food service operations	<u>5,409</u>
Total depreciation expense	<u>\$ 77,831</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized in the amount of \$60,023. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2007 was \$52,520, leaving a current book value of \$7,503. Principal payments in fiscal year 2007 totaled \$13,355, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 7,254
Total minimum lease payments	7,254
Less amount representing interest	<u>(167)</u>
Total	<u>\$ 7,087</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2007, the following activity occurred in the long-term obligations of governmental activities.

	Balance			Balance	Amounts
	<u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/07</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 251,131	\$ 20,899	\$ (67,617)	\$ 204,413	\$ 32,454
Capital lease obligation	<u>20,442</u>	<u>-</u>	<u>(13,355)</u>	<u>7,087</u>	<u>7,087</u>
Total long-term obligations, governmental activities	<u>\$ 271,573</u>	<u>\$ 20,899</u>	<u>\$ (80,972)</u>	<u>\$ 211,500</u>	<u>\$ 39,541</u>

*Compensated Absences:* Compensated absences will be paid from the fund from which the employees' salaries are paid, which consist of the general fund, Title VI-B fund (a nonmajor governmental fund), and Title I fund (a nonmajor governmental fund).

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$4,543,033 and an unvoted debt margin of \$50,478.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, and general liability.

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

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2006.

**B. Health, Vision and Life Insurance**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 10 - RISK MANAGEMENT - (Continued)**

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

**C. Workers' Compensation**

For fiscal year 2007, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005, were \$52,865, \$48,943, and \$46,673, 45.51 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$28,809 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2007, 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 years 2006 and 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.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$189,482, \$188,185, and \$180,547; 84.28 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$29,785 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the Combined Plan for fiscal year 2007 were \$7,074 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 12 - 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS 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 is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$14,576 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$23,445 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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<u>General Fund</u>
Net Change in Fund Balance	
Budget basis	\$ (26,731)
Net adjustment for revenue accruals	15,965
Net adjustment for expenditure accruals	48,574
Net adjustment for other sources/uses	(71,044)
Adjustment for encumbrances	<u>207,144</u>
GAAP basis	<u>\$ 173,908</u>

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2006	\$ (45,576)	\$ 33,536	\$ 13,233
Current year set-aside requirement	53,115	53,115	-
Qualifying disbursements	<u>(55,841)</u>	<u>(134,470)</u>	<u>-</u>
Total	<u>\$ (48,302)</u>	<u>\$ (47,819)</u>	<u>\$ 13,233</u>
Cash balance carried forward to FY 2008	<u>\$ (48,302)</u>	<u>\$ -</u>	<u>\$ 13,233</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for budget reserve	\$ 13,233
Amounts restricted for school bus purchases	<u>2,516</u>
Total restricted assets	<u>\$ 15,749</u>



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

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$7,626		\$7,626
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU-2006 05PU-2007	10.553	\$1,630 10,262 <hr/> 11,892		\$1,630 10,262 <hr/> 11,892	
National School Lunch Program	LLP4-2006 LLP4-2007	10.555	5,864 35,950 <hr/> 41,814		5,864 35,950 <hr/> 41,814	
<i>Total Nutrition Cluster</i>						
Total U.S. Department of Agriculture			53,706	7,626	53,706	7,626
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-06 6B-SF-07	84.027	(10,752) 98,541 <hr/> 87,789		10,752 80,126 <hr/> 90,878	
<i>Subtotal - Special Education Cluster</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-06 C1-S1-07	84.010	(23,072) 414,237 <hr/> 391,165		89,973 304,393 <hr/> 394,366	
<i>Subtotal - CFDA 84.010</i>						
Drug-Free Schools Grant	DR-S1-07	84.186	6,829		6,829	
Innovative Educational Program	C2-S1-07	84.298	465		465	
Title II-D, Technology	TJ-S1-07	84.318	4,239		4,239	
Title II-A, Improving Student Quality	TR-S1-06 TR-S1-07	84.367	705 118,564 <hr/> 119,269		100,500 100,500 <hr/> 100,500	
<i>Subtotal - CFDA 84.367</i>						
Total U.S. Department of Education			609,756		597,277	
<b>Totals</b>			<b>\$663,462</b>	<b>\$7,626</b>	<b>\$650,983</b>	<b>\$7,626</b>

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

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

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – CARRYOVER FUNDS**

Negative receipts are shown in the Title VI-B, CFDA 84.027 and Title 1, CFDA 84.010. These negative receipts represent monies that were unspent after the initial period of availability. These monies were added to the subsequent fiscal year awards in accordance with allowable carryover provisions.



# 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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bloomfield-Mespo Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 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 opinions 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

October 31, 2008



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Bloomfield-Mespo Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Bloomfield-Mespo Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

October 31, 2008

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

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

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

None

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

None







**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**DECEMBER 9, 2008**