



Dave Yost • Auditor of State



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
JUNE 30, 2017**

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BLOOM-CARROLL LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY  
JUNE 30, 2017

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Bloom-Carroll Local School District  
Fairfield County  
5240 Plum Road NW  
Carroll, Ohio 43112

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bloom-Carroll Local School District, Fairfield County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bloom-Carroll Local School District, Fairfield County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter.**

As discussed in Note 3 to the financial statements, the Net Position for June 30, 2016 was restated to correct an error. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 6, 2018

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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The discussion and analysis of the Bloom-Carroll Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

**Financial Highlights**

- ▶ The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2017 by \$8,156,547. Of this amount, \$8,384,273 represents the total amount of net position invested in capital assets and restricted for specific purposes, and the deficit balance of \$16,540,820 represents the District's unrestricted net position.
- ▶ In total, net position of governmental activities increased by \$792,342 which represents a 8.85 percent increase from 2016.
- ▶ General revenues accounted for \$20,574,210 or 87.61 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,908,816 or 12.39 percent of total revenues of \$23,483,026.
- ▶ The District had \$22,690,684 in expenses related to governmental activities; only \$2,908,816 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$20,574,210 were used to provide for the remainder of these programs.
- ▶ The District recognizes two major governmental funds: the General and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$19,479,033 in revenues and \$18,915,546 in expenditures in fiscal year 2017.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Fund Financial Statements**

The analysis of the District's major funds begins on page 11. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General and Bond Retirement Funds.

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



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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**Governmental Funds**

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

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

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

**Government-Wide Financial Analysis**

Recall that the statement of net position provides the perspective of the District as a whole, showing assets and deferred outflows, liabilities and deferred inflows, and the difference between them (net position). Table 1 provides a summary of the District's net position as of 2017 compared to fiscal year 2016:

Table 1  
**Net Position at Year End**

	2017	Restated 2016
<b><u>Assets:</u></b>		
Current and Other Assets	\$18,509,953	\$17,129,588
Capital Assets, Net	28,477,562	28,857,394
<i>Total Assets</i>	<u>46,987,515</u>	<u>45,986,982</u>
<b><u>Deferred Outflows of Resources:</u></b>		
Deferred Charge on Refunding Pension	668,334	80,979
	5,843,621	2,451,294
<i>Total Deferred Outflows of Resources</i>	<u>6,511,955</u>	<u>2,532,273</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,852,556	2,898,189
Long-Term Liabilities:		
Due Within One Year	1,260,182	1,256,442
Due in More Than One Year:		
Net Pension Liability	28,398,465	22,549,344
Other Amounts	21,331,110	21,805,438
<i>Total Liabilities</i>	<u>53,842,313</u>	<u>48,509,413</u>
<b><u>Deferred Inflows of Resources:</u></b>		
Property Taxes	7,799,462	7,513,528
Pension	14,242	1,445,203
<i>Total Deferred Inflows of Resources</i>	<u>7,813,704</u>	<u>8,958,731</u>
<b><u>Net Position:</u></b>		
Net Investment in Capital Assets	7,134,315	6,426,873
Restricted	1,249,958	925,771
Unrestricted	(16,540,820)	(16,301,533)
<i>Total Net Position</i>	<u>(\$8,156,547)</u>	<u>(\$8,948,889)</u>

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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Under the new standards required by GASB Statement No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligation, whether funded or unfunded, are part of the "employment exchange"- that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer the employee, because all parties enter the employment exchange with notice as to law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Current and other assets increased \$1,380,365 in fiscal year 2017 due primarily to an increase in cash and cash equivalents held by the District. Capital assets decreased by \$379,832 as a result of depreciation expense exceeding capital outlay.

Current (other) liabilities decreased by \$45,633 primarily due to decreases in claims payable.

Long-term liabilities increased by \$5,374,793 or 11.79 percent as the result of an increase in net pension liability offset by a decrease in outstanding debt liability for payments made in fiscal year 2017.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

The District's largest portion of net position is related to amounts included as net investment in capital assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's smallest portion of net position is unrestricted, and carries a deficit balance of \$16,540,820.

The remaining balance of \$1,249,958 is restricted. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2017 and provides a comparison to fiscal year 2016.

Table 2  
**Changes in Net Position**

	<b><u>Governmental Activities</u></b>	
	<u>2017</u>	<u>Restated 2016</u>
<b><u>Revenues:</u></b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$2,096,344	\$2,125,007
Operating Grants and Contributions	812,472	2,001,278
<i>General Revenues:</i>		
Property Taxes	8,778,279	8,347,454
Income Taxes	4,876,871	4,770,292
Unrestricted Grants and Entitlements	6,707,773	4,983,343
Investment Earnings	82,857	29,590
Miscellaneous	128,430	83,832
<i>Total Revenues</i>	<u>23,483,026</u>	<u>22,340,796</u>

(Continued)

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

Table 2  
**Changes in Net Position (Continued)**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>Restated 2016</u>
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	7,748,153	7,327,012
Special	2,665,919	2,206,176
Vocational	200,785	179,592
Student Intervention Services	198,293	167,278
Other	716,313	742,432
<i>Support Services:</i>		
Pupils	1,129,639	900,703
Instructional Staff	1,031,129	698,843
Board of Education	127,071	135,780
Administration	2,253,615	2,130,579
Fiscal	376,925	361,434
Operation and Maintenance of Plant	1,719,420	1,615,083
Pupil Transportation	1,245,753	1,393,794
Central	354,335	255,441
<i>Operation of Non-Instructional Services:</i>		
Food Services	729,444	668,596
Community Services	1,500	2,600
Extracurricular Activities	885,355	813,447
<i>Debt Service:</i>		
Interest and Fiscal Charges	1,140,821	1,269,208
Issuance Costs	166,214	0
<i>Total Expenses</i>	<u>22,690,684</u>	<u>20,867,998</u>
<i>Change in Net Position</i>	792,342	1,472,798
Net Position - Beginning of Year, As Restated	<u>(8,948,889)</u>	<u>(10,421,687)</u>
Net Position - End of Year	<u>(\$8,156,547)</u>	<u>(\$8,948,889)</u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, Pupil Transportation and Pupils. These programs account for 73.88 percent of the total governmental activities. Regular Instruction, which accounts for 34.15 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 11.75 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 9.93 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 7.58 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Pupil Transportation, which represents 5.49 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities. Pupils, which accounts for 4.98 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process.

The majority of the funding for the most significant programs indicated above is from property taxes, grants and entitlements not restricted for specific programs and income taxes. Property taxes, grants and entitlements not restricted for specific programs and income taxes account for 80.39 percent of total revenues.

As noted previously, the net position for the governmental activities increased \$792,342 or 8.85 percent. This is a change from last year when net position increased \$1,056,106 or 10.56 percent. Total revenues increased \$1,142,230 or 5.11 percent from last year and expenses increased \$1,822,686 or 8.73 percent from last year.

The District had program revenue decreases of \$1,217,469, as well as increases in general revenues of \$2,359,699. The decrease in program revenue is primarily due to an decrease in operating grants and contributions. The increase in general revenue is primarily due to increases in property taxes, income taxes, and unrestricted grants and entitlements.

The total expenses for governmental activities increased primarily as a result of increases in Special Instruction, Regular Instruction, Instructional Staff and Pupils. These increases are the results of changes in expense classification for employees, increased fuel costs, and increases in supplemental contracts.

**Governmental Activities**

Like most Ohio schools, the District is heavily dependent on property taxes, income taxes and intergovernmental revenue. This has resulted in a lack of revenue growth. Property taxes made up 37.38 percent, income taxes made up 20.77 percent, and intergovernmental revenue made up 32.02 percent of the total revenue for our governmental activities in fiscal year 2017.

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

The District voters approved an income tax levy of 0.75 percent in fiscal year 1997 and it is a continuing tax. The voters of the District approved an additional income tax levy of 0.50 percent in fiscal year 2006. These levies generated almost \$4,900,000 in revenue for general operations for fiscal year 2017.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2017, the District received \$4,713,236 through the State's foundation program, which represents 20.07 percent of the total revenue for the governmental activities. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 50.81 percent of governmental activities program expenses. Support services expenses make up 36.31 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2017 compared with fiscal year 2016. That is, it identifies the net cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
**Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	Restated 2016	Restated 2016
<i>Program Expenses:</i>				
Instruction	\$11,529,463	\$9,233,762	\$10,622,490	\$8,299,370
Support Services	8,237,887	7,181,750	7,491,657	6,668,119
Operation of Non-Instructional Services	730,944	20,222	671,196	8,105
Extracurricular Activities	885,355	554,058	813,447	496,911
<i>Debt Service:</i>				
Interest and Fiscal Charges	1,140,821	1,140,821	1,269,208	1,269,208
Issuance Costs	166,214	166,214	0	0
Total Expenses	<u>\$22,690,684</u>	<u>\$18,296,827</u>	<u>\$20,867,998</u>	<u>\$16,741,713</u>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$32,554,537, and expenditures and other financing uses of \$31,714,316.

Total governmental funds fund balance increased by \$840,221. The increase in fund balance for the year was most significant in the General Fund, an increase of \$517,947, reflecting an increase in revenues that exceeded the increase in expenditures.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2017, the District amended its General Fund budget one time. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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

For the General Fund, the final budget basis revenue was \$18,365,188 representing no change from the original budget estimates. The actual budget basis revenues were \$19,278,256 representing a \$913,068 positive variance over the final budgeted amount. For the General Fund, the final budget basis expenditures, including other financing uses, were \$18,888,149 representing no change from the original budget estimates. The actual budget basis expenditures were \$18,882,638 representing a \$5,511 variance over the final budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the District had \$36.8 million invested in land, land improvements/infrastructure, buildings and improvements, furniture, fixtures, and equipment, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of \$8.3 million. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016.

Table 4  
**Capital Assets & Accumulated Depreciation at Year End**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$806,734	\$806,734
<i>Depreciable Capital Assets:</i>		
Land Improvements/Infrastructure	5,753,504	5,708,569
Buildings and Improvements	20,300,611	20,265,126
Furniture, Fixtures and Equipment	8,044,158	7,674,712
Vehicles	1,871,379	1,829,927
Total Capital Assets	<u>36,776,386</u>	<u>36,285,068</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements/Infrastructure	(927,680)	(778,758)
Buildings and Improvements	(3,305,304)	(2,886,083)
Furniture, Fixtures and Equipment	(3,254,482)	(2,944,617)
Vehicles	(811,358)	(818,216)
Total Accumulated Depreciation	<u>(8,298,824)</u>	<u>(7,427,674)</u>
Capital Assets, Net	<u>\$28,477,562</u>	<u>\$28,857,394</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 11 to the notes to the basic financial statements.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)*

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**Debt Administration**

At June 30, 2017, the District had \$20.6 million in general obligation debt outstanding with \$1,000,000 due within one year. Table 5 summarizes the bonds outstanding for fiscal year 2017 compared to fiscal year 2016.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

<u>Purpose</u>	<u>2017</u>	<u>2016</u>
2010 School Improvements Bonds	\$9,615,000	\$10,535,000
2012 Energy Conservation Bonds	405,000	435,000
2013 General Obligation Refunding Bonds	2,602,667	10,727,846
2017 General Obligation Refunding Bonds	<u>8,000,000</u>	<u>0</u>
Total	<u>\$20,622,667</u>	<u>\$21,697,846</u>

Detailed information pertaining to the District's long-term debt activity can be found in Note 15 to the basic financial statements.

**Current Issues**

Bloom-Carroll Local School District is considered a wealthy district according to the State of Ohio's property valuation per pupil formula. The new funding formula contained within the State biennial budget is estimated to provide an increase of 3.0% in Fiscal Year 2018 and 3.0% increase in Fiscal Year 2019 of State funds for Bloom-Carroll. This helps the District's financial outlook, however, as indicated in the preceding financial information; the District is heavily dependent on local taxes due to the property valuation per pupil wealth index. Nearly one-quarter of the District's funding is received through the State's foundation program, which along with taxes and other various grants and entitlements makes up 90 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation.

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

Residential growth has not eluded the District although it has slowed over the past two years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. The District's enrollment has increased by an average of 2.75% per year since the 2011-12 school year. Residential/agricultural property contributes 88% of the District's real estate valuation.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

*(Unaudited)*

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In April 2010, general obligation bonds at 5.80% interest were issued in the amount of \$26,500,000, as a result of the District being approved for school facilities funding through the State Department of Education for the construction of a new grades 5-8 middle school building. The construction began in March, 2011 and the new building opened on January 14, 2013. The District is participating in the Expedited Local Partnership Program (ELPP) through the Ohio Schools Facilities Commission. The District is scheduled to receive an 18% match on the qualifying expenditures from the Middle School Construction. Phase two of the construction project, along with a Permanent Improvement levy, are currently being discussed. Preliminary discussions have centered on a new K-5 building on the May, 2018 ballot.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information, contact Travis Bigam, Treasurer of Bloom-Carroll Local School Board of Education, 5240 Plum Road, Carroll, Ohio 43112.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Net Position*

*June 30, 2017*

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$5,090,314
Cash and Cash Equivalents with Fiscal Agent	2,492,379
Property Taxes Receivable	8,931,343
Accounts Receivable	82,117
Intergovernmental Receivable	104,166
Accrued Interest Receivable	6,873
Prepaid Items	11,626
Income Taxes Receivable	1,791,135
Nondepreciable Capital Assets	806,734
Depreciable Capital Assets, Net	<u>27,670,828</u>
<i>Total Assets</i>	<u>46,987,515</u>
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charge on Refunding Pension	668,334
	<u>5,843,621</u>
<i>Total Deferred Outflows of Resources</i>	<u>6,511,955</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	28,205
Accrued Wages and Benefits	1,695,270
Intergovernmental Payable	488,115
Accrued Interest Payable	81,687
Matured Compensated Absences Payable	31,479
Claims Payable	527,800
<b><u>Long-Term Liabilities:</u></b>	
Due within One Year	1,260,182
<b><u>Due in More Than One Year:</u></b>	
Net Pension Liability	28,398,465
Other Amounts Due in More Than One Year	<u>21,331,110</u>
<i>Total Liabilities</i>	<u>53,842,313</u>
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	7,799,462
Pension	<u>14,242</u>
<i>Total Deferred Inflows of Resources</i>	<u>7,813,704</u>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	7,134,315
<b><u>Restricted for:</u></b>	
Debt Service	1,180,601
Capital Outlay	34,695
Expendable	14,118
Nonexpendable	10,000
Other Purposes	10,544
Unrestricted	<u>(16,540,820)</u>
<i>Total Net Position</i>	<u><u>(\$8,156,547)</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2017*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Expenses</u>				
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$7,748,153	\$1,321,254	\$32,446	(\$6,394,453)
Special	2,665,919	0	296,479	(2,369,440)
Vocational	200,785	0	51,801	(148,984)
Student Intervention Services	198,293	0	0	(198,293)
Other	716,313	0	0	(716,313)
<i>Support Services:</i>				
Pupils	1,129,639	0	128,721	(1,000,918)
Instructional Staff	1,031,129	0	15,200	(1,015,929)
Board of Education	127,071	0	0	(127,071)
Administration	2,253,615	0	0	(2,253,615)
Fiscal	376,925	17,736	0	(359,189)
Operation and Maintenance of Plant	1,719,420	3,160	0	(1,716,260)
Pupil Transportation	1,245,753	0	0	(1,245,753)
Central	354,335	0	0	(354,335)
<i>Operation of Non-Instructional Services:</i>				
Food Services	729,444	463,266	247,456	(18,722)
Community Services	1,500	0	0	(1,500)
Extracurricular Activities	885,355	290,928	40,369	(554,058)
<i>Debt Service:</i>				
Interest and Fiscal Charges	1,140,821	0	0	(1,140,821)
Issuance Costs	166,214	0	0	(166,214)
<b><i>Total Governmental Activities</i></b>	<b><u>\$22,690,684</u></b>	<b><u>\$2,096,344</u></b>	<b><u>\$812,472</u></b>	<b><u>(19,781,868)</u></b>
 <b><u>General Revenues:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				7,315,896
Debt Service				1,462,383
<i>Income Taxes Levied for:</i>				
General Purposes				4,876,871
Grants and Entitlements not Restricted to Specific Programs				6,707,773
Investment Earnings				82,857
Miscellaneous				128,430
<b><i>Total General Revenues</i></b>				<b><u>20,574,210</u></b>
Change in Net Position				792,342
<i>Net Position at Beginning of Year, As Restated</i>				<u>(8,948,889)</u>
<b><i>Net Position at End of Year</i></b>				<b><u>(\$8,156,547)</u></b>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2017*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$3,754,712	\$1,119,939	\$176,108	\$5,050,759
Property Taxes Receivable	7,474,516	1,456,827	0	8,931,343
Income Taxes Receivable	1,791,135	0	0	1,791,135
Accounts Receivable	82,117	0	0	82,117
Intergovernmental Receivable	104,166	0	0	104,166
Accrued Interest Receivable	6,873	0	0	6,873
Prepaid Items	11,626	0	0	11,626
<i>Total Assets</i>	<u>\$13,225,145</u>	<u>\$2,576,766</u>	<u>\$176,108</u>	<u>\$15,978,019</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$28,141	\$0	\$64	\$28,205
Accrued Wages and Benefits	1,580,680	0	114,590	1,695,270
Intergovernmental Payable	477,962	0	10,153	488,115
Matured Compensated Absences Payable	26,497	0	4,982	31,479
<i>Total Liabilities</i>	<u>2,113,280</u>	<u>0</u>	<u>129,789</u>	<u>2,243,069</u>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	6,538,661	1,260,801	0	7,799,462
Unavailable Revenue	309,516	60,327	0	369,843
<i>Total Deferred Inflows of Resources</i>	<u>6,848,177</u>	<u>1,321,128</u>	<u>0</u>	<u>8,169,305</u>
<b><u>Fund Balances:</u></b>				
Nonspendable	11,626	0	10,000	21,626
Restricted	0	1,255,638	118,086	1,373,724
Assigned	101,081	0	34,695	135,776
Unassigned (Deficit)	4,150,981	0	(116,462)	4,034,519
<i>Total Fund Balances</i>	<u>4,263,688</u>	<u>1,255,638</u>	<u>46,319</u>	<u>5,565,645</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,225,145</u>	<u>\$2,576,766</u>	<u>\$176,108</u>	<u>\$15,978,019</u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2017*

<b>Total Governmental Funds Balances</b>		\$5,565,645
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,477,562
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes		369,843
Unamortized deferred charges from the issuance of refunding bonds represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.		668,334
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
General obligation bonds	(20,550,000)	
Capital Appreciation bonds	(18,990)	
Accretion on capital appreciation bonds	(53,677)	
Premium on bonds	(1,176,948)	
Accrued interest	(81,687)	
Capital leases	(265,643)	
Compensated absences	<u>(526,034)</u>	
Total liabilities that are not reported in the funds		(22,672,979)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	5,843,621	
Deferred Inflows - Pension	(14,242)	
Net Pension Liability	<u>(28,398,465)</u>	
Total		(22,569,086)
An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		<u>2,004,134</u>
<i>Net Position of Governmental Activities</i>		<u><u>(\$8,156,547)</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$7,320,203	\$1,468,240	\$0	\$8,788,443
Income Taxes	4,876,871	0	0	4,876,871
Intergovernmental	5,761,058	998,516	726,252	7,485,826
Interest	42,735	0	139	42,874
Tuition and Fees	1,321,254	0	0	1,321,254
Extracurricular Activities	30,219	0	260,709	290,928
Charges for Services	17,736	0	463,266	481,002
Gifts and Donations	17,037	0	17,382	34,419
Miscellaneous	91,920	6,336	33,334	131,590
<i>Total Revenues</i>	<u>19,479,033</u>	<u>2,473,092</u>	<u>1,501,082</u>	<u>23,453,207</u>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	6,782,618	0	32,383	6,815,001
Special	2,301,959	0	297,857	2,599,816
Vocational	192,501	0	0	192,501
Student Intervention Services	188,579	0	0	188,579
Other	713,441	0	0	713,441
<i>Support Services:</i>				
Pupils	960,554	0	129,949	1,090,503
Instructional Staff	946,937	0	15,121	962,058
Board of Education	126,307	0	0	126,307
Administration	2,151,616	0	0	2,151,616
Fiscal	374,519	30,200	0	404,719
Operation and Maintenance of Plant	1,852,054	0	0	1,852,054
Pupil Transportation	1,421,608	0	0	1,421,608
Central	348,644	0	0	348,644
<i>Operation of Non-Instructional Services:</i>				
Food Service Operations	0	0	712,231	712,231
Community Services	0	0	1,500	1,500
Extracurricular Activities	554,209	0	297,390	851,599
<i>Debt Service:</i>				
Principal Retirement	0	975,000	0	975,000
Interest and Fiscal Charges	0	1,114,965	0	1,114,965
Bond Issuance Costs	0	166,214	0	166,214
<i>Total Expenditures</i>	<u>18,915,546</u>	<u>2,286,379</u>	<u>1,486,431</u>	<u>22,688,356</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>563,487</u>	<u>186,713</u>	<u>14,651</u>	<u>764,851</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Capital Assets	0	0	2,298	2,298
Proceeds from Refunding Bonds Issued	0	8,000,000	0	8,000,000
Premium on Bonds Issued	0	1,013,509	0	1,013,509
Earnings on Sinking Fund Investments	0	39,983	0	39,983
Transfers In	0	45,540	0	45,540
Transfers Out	(45,540)	0	0	(45,540)
Payment to Refunding Bonds Escrow Agent	0	(8,980,420)	0	(8,980,420)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,540)</u>	<u>118,612</u>	<u>2,298</u>	<u>75,370</u>
<i>Net Change in Fund Balances</i>	517,947	305,325	16,949	840,221
<i>Fund Balances at Beginning of Year</i>	<u>3,745,741</u>	<u>950,313</u>	<u>29,370</u>	<u>4,725,424</u>
<i>Fund Balances at End of Year</i>	<u>\$4,263,688</u>	<u>\$1,255,638</u>	<u>\$46,319</u>	<u>\$5,565,645</u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**  
*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, 2017*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$840,221</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(366,722)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(13,110)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of: Property taxes	(10,164)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	9,100,000
Payment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	159,371
In the statement of activities, interest is accrued on outstanding bonds, bond accretion, bond premium, and loss on refunding amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when due and premiums and loss on refunding are reported when the bonds are issued:	
Accrued interest	4,888
Amortization of premium on bonds	271,315
Accretion on capital appreciation bonds	(24,821)
Amortization of refunding bonds deferred charges	<u>(80,979)</u>
Total	170,403
Other financing sources in the governmental funds that increase long-term obligations in the statement of net position are not reported as revenues in the statement of activities.	
Proceeds from the issuance of refunding bonds	(8,000,000)
Premium on the issuance of refunding bonds	(1,013,509)
Deferred charges on refunding bonds	<u>668,334</u>
Total	(8,345,175)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of: Compensated absences	(21,768)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred inflows of resources.	1,430,568
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(2,456,401)
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.	<u>305,119</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$792,342</u></u>

See accompanying notes to the basic financial statements.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$6,663,228	\$6,663,228	\$7,230,040	\$566,812
Income Taxes	4,593,061	4,593,061	4,945,362	352,301
Intergovernmental	5,601,900	5,601,900	5,732,514	130,614
Interest	21,999	21,999	44,997	22,998
Tuition and Fees	1,394,000	1,394,000	1,241,468	(152,532)
Rentals	1,000	1,000	1,802	802
Charges for Services	18,000	18,000	17,736	(264)
Miscellaneous	72,000	72,000	64,337	(7,663)
<i>Total Revenues</i>	18,365,188	18,365,188	19,278,256	913,068
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	6,762,952	6,762,952	6,761,112	1,840
Special	2,336,897	2,336,897	2,346,980	(10,083)
Vocational	203,601	203,601	192,227	11,374
Student Intervention Services	189,542	189,542	188,929	613
Other	695,547	695,547	712,339	(16,792)
<i>Support Services:</i>				
Pupils	917,339	917,339	920,718	(3,379)
Instructional Staff	975,941	975,941	954,076	21,865
Board of Education	127,855	127,855	128,462	(607)
Administration	2,123,563	2,123,563	2,071,896	51,667
Fiscal	379,280	379,280	378,601	679
Operation and Maintenance of Plant	1,868,883	1,868,883	1,874,878	(5,995)
Pupil Transportation	1,440,685	1,440,685	1,445,244	(4,559)
Central	317,646	317,646	351,552	(33,906)
Extracurricular Activities	502,878	502,878	510,084	(7,206)
<i>Total Expenditures</i>	18,842,609	18,842,609	18,837,098	5,511
<i>Excess of Revenues Over (Under) Expenditures</i>	(477,421)	(477,421)	441,158	918,579
<b><u>Other Financing Uses:</u></b>				
Transfers Out	(45,540)	(45,540)	(45,540)	0
<i>Total Other Financing Uses</i>	(45,540)	(45,540)	(45,540)	0
<i>Excess of Revenues Over/ (Under) Expenditures and Other Financing Uses</i>	(522,961)	(522,961)	395,618	918,579
<i>Fund Balance at Beginning of Year</i>	3,173,028	3,173,028	3,173,028	0
<i>Prior Year Encumbrances Appropriated</i>	88,148	88,148	88,148	0
<i>Fund Balance at End of Year</i>	\$2,738,215	\$2,738,215	\$3,656,794	\$918,579

See accompanying notes to the basic financial statements

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Net Position*

*Proprietary Fund*

*June 30, 2017*

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	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b><u>Assets:</u></b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$39,555
Cash and Cash Equivalents with Fiscal Agent	<u>2,492,379</u>
<i>Total Current Assets</i>	<u>2,531,934</u>
<b><u>Liabilities:</u></b>	
<i>Current Liabilities:</i>	
Claims Payable	<u>527,800</u>
<b><u>Net Position:</u></b>	
Unrestricted	<u>\$2,004,134</u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Revenues,  
Expenses and Change in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2017*

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	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	<u>\$2,367,843</u>
<b><u>Operating Expenses:</u></b>	
Purchased Services	154,092
Claims	<u>1,908,632</u>
<i>Total Operating Expenses</i>	<u>2,062,724</u>
<i>Change in Net Position</i>	305,119
<i>Net Position at Beginning of Year</i>	<u>1,699,015</u>
<i>Net Position at End of Year</i>	<u><u>\$2,004,134</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Cash Flows*

*Proprietary Fund*

*For the Fiscal Year Ended June 30, 2017*

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	<u>Governmental Activities</u> <u>Internal Service</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Interfund Charges	\$2,367,843
Cash Payments for Goods and Services	(154,092)
Cash Payments for Claims	<u>(2,058,659)</u>
<i>Net Cash from Operating Activities</i>	<u>155,092</u>
<i>Net Increase in Cash and Cash Equivalents</i>	155,092
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>2,376,842</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$2,531,934</u></u>
<b><u>Reconciliation of Operating Income</u></b>	
<b><u>to Net Cash from Operating Activities:</u></b>	
Operating Income	\$305,119
<b><u>Adjustments to Reconcile Operating Income</u></b>	
<b><u>to Net Cash from Operating Activities:</u></b>	
<i>Decrease in Liabilities:</i>	
Claims Payable	<u>(150,027)</u>
Total Adjustments	<u>(150,027)</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$155,092</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2017*

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,612</u>	<u>\$25,935,745</u>
<b><u>Liabilities:</u></b>		
Due to Students	0	61,616
Undistributed Monies	<u>0</u>	<u>25,874,129</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$25,935,745</u></u>
<b><u>Net Position:</u></b>		
<i>Held in Trust for:</i>		
Other Individuals and Organizations	<u><u>\$1,612</u></u>	

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Statement of Change in Fiduciary Net Position*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2017*

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	<u>Private Purpose Trust</u>
<b><u>Additions:</u></b>	
Gifts and Donations	\$1,626
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	<u>1,977</u>
<i>Change in Net Position</i>	(351)
<i>Net Position at Beginning of Year</i>	<u>1,963</u>
<i>Net Position at End of Year</i>	<u><u>\$1,612</u></u>

See accompanying notes to the basic financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

**Description of the School District**

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

The District is located in Fairfield County, within portions of Bloom Township and Greenfield Township, and the Village of Carroll and Lithopolis, Ohio. It is staffed by 115 certificated employees, 214 (including administrative) full-time and part-time employees who provide services to 1,924 students in grades K through 12 and various community groups, which ranks it 136 out of approximately 881 public and community school districts in Ohio. The District currently operates 4 instructional buildings.

**Reporting Entity**

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

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

The District is associated with four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Metropolitan Educational Technology Association, the South Central Ohio Insurance Consortium, the State Support Team Region 11 and the Sheakley Uniservice, Inc. Worker's Compensation Group Rating Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

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

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Governmental Funds**

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



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

The following are the District's major governmental funds:

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

**Bond Retirement Fund** - This fund is used to account for financial resources accumulated for the payment of general long-time debt principal, interest and related costs.

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

**Proprietary Fund**

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are a private purpose trust fund used to account for assets held for individuals and two agency funds which are used to account for student managed activities, South Central Ohio Insurance Consortium and OHSAA tournament activity.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

In addition to the liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 13).

**Expenses/Expenditures**

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

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

**E. Cash and Cash Equivalents**

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

During the fiscal year 2017, investments were limited to the negotiable certificates of deposit, STAR Ohio, and U.S. Treasury money market securities.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2017. 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 has adopted GASB Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Except for nonparticipating investment contracts, the District reports investments at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost. The District had no nonnegotiable certificates of deposit for fiscal year 2017.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$42,735, which includes \$35,237 assigned from other District funds.

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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Cash and cash equivalents that are held separately with the District’s third party administrator for its self-insurance program, and not included in the District Treasury, are recorded as “Cash and Cash Equivalents with Fiscal Agent”.

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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>	<u>Estimated Lives</u>
Land Improvements/Infrastructure	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

---

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

**J. Interfund Balances**

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

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**L. Compensated Absences**

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees will be paid.

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

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

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available

**O. Fund Balance**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**Committed** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Unassigned** – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

---

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

**P. Operating Revenues and Expenses**

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

**Q. Interfund Transactions**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The District did not have any extraordinary items during fiscal year 2017.

Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. The District did not have any special items during fiscal year 2017.

**S. Estimates**

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

**T. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amount reported as the original budgeted amounts in the budgetary statement reflects the amounts in the certificate when the appropriations were adopted. The amount reported as the final budgeted amounts in the budgetary statement reflects the amounts in the final amended certificate issued during fiscal year 2017.

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year 2017, the District implemented GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, GASB Statement No. 77, “Tax Abatement Disclosures”, GASB Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, GASB Statement No. 80, “Blending Requirements for Certain Component Units”, and GASB Statement No. 82, “Pension Issues.” The implementation of GASB Statements Nos. 74, 77, 78, 80 and 82 had no effect on the prior period fund balances of the District.

During fiscal year 2017, the District found three capital leases for buses in previous years that had not been reported, which resulted in a prior period restatement to the June 30, 2016 net position. The District has made a restatement to report the liability for the amount of these capital leases as of June 30, 2016.

Net Position June 30, 2016	(8,523,875)
<i>Adjustments:</i>	
Increase in Capital Leases Payable	<u>(425,014)</u>
Restated Net Position June 30, 2017	<u><u>(8,948,889)</u></u>

**NOTE 4 - ACCOUNTABILITY**

The following funds had deficit fund balances as of June 30, 2017:

*Nonmajor Special Revenue Funds:*

Food Service	\$58,579
Title I	15,262
Title II-A	78
IDEA-B	42,543

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

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** – (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

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

<u>Net Change in Fund Balance</u>	
Budget Basis	\$395,618
<i>Adjustments:</i>	
Revenue Accruals	151,911
Expenditure Accruals	(101,791)
Encumbrances	73,288
<i>Perspective Difference:</i>	
Activity of Funds Reclassified For	
GAAP Reporting Purposes	<u>(1,079)</u>
GAAP Basis	<u>\$517,947</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 6 - DEPOSITS AND INVESTMENTS** - (Continued)

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

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

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

**Cash and Investments with Fiscal Agent:** At June 30, 2017, the District had \$2,492,379 on deposit in its self-insurance fiscal agent account. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**Deposits with Financial Institutions:** *Custodial Credit Risk:* 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)**

At June 30, 2017, the carrying amount of all the District deposits was \$6,717,435. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2017, \$6,089,877 of the District's bank balance of \$6,764,019 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name, while \$674,142 was covered by Federal Deposit Insurance in the manner described above.

**Investments:** The District had the following investments at June 30, 2017:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
FFCB	\$149,873	\$149,873	\$0	\$0	\$0	\$0
FHLB	8,968,355	0	0	0	0	8,968,355
FHLMC	6,046,408	1,328,761	0	0	0	4,717,647
FNMA	1,274,441	299,901	0	0	0	974,540
Negotiable CDs	4,465,947	1,482,238	747,395	1,240,544	249,618	746,152
U.S. Treasury Money Market	3,405,212	3,405,212	0	0	0	0
Total	<u>\$24,310,236</u>	<u>\$6,665,985</u>	<u>\$747,395</u>	<u>\$1,240,544</u>	<u>\$249,618</u>	<u>\$15,406,694</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of June 30, 2017. All of the District's investments are valued using quoted market prices (Level 1 inputs).

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the school to meet all operating requirements.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to obligations of Federal Government Agencies or Instrumentalities as described in Ohio Revised Code Section 135.143A (2). Investments in all federal agency securities and U.S. Treasury money market funds were rated 'Aaa' by Moody's Investor Services. Credit ratings for the negotiable CDs are not readily available.

**Concentration of Credit Risk:** The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$149,873	0.62%
FHLB	8,968,355	36.89%
FHLMC	6,046,408	24.87%
FNMA	1,274,441	5.24%
Negotiable CDs	4,465,947	18.37%
U.S. Treasury Money Market	3,405,212	14.01%
Total	<u>\$24,310,236</u>	<u>100%</u>

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

All of the District's investments are either insured and registered in the name of the District or at least registered in the name of the District.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined to include investments included within the District's cash management pool and investments with a maturity date of three months or less.

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$6,717,435
Investments	24,310,236
Cash and investments with fiscal agent	<u>2,492,379</u>
Total	<u>\$33,520,050</u>

<u>Cash and investments per statement of net position</u>	
Governmental Activities	\$7,582,693
Trust Fund	1,612
Agency Funds	<u>25,935,745</u>
Total	<u>\$33,520,050</u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 7 - 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 of 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 and public utility property located in the District. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 year 2017 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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.

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017 are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2017 delinquent taxes outstanding and real property, and public utility taxes which become measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2017 was \$762,038 and is recognized as revenue in the General Fund and Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second - Half Collections		2017 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$297,839,470	87.99%	\$319,958,730	88.58%
Public Utility Personal	40,640,260	12.01%	41,236,790	11.42%
Total Assessed Value	<u>\$338,479,730</u>	<u>100.00%</u>	<u>\$361,195,520</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$47.20		\$47.20	

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 8- INCOME TAXES**

The District levies a voted tax of 1.25 percent for general operations on the income of residents. The District had a 0.75 percent tax that was effective on January 1, 1998 and is a continuing tax. In November 2005, the voters of the District passed an additional income tax levy of 0.50 percent that became effective January 1, 2006. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$4,876,871 was credited to the General Fund during fiscal year 2017.

**NOTE 9 – TAX ABATEMENTS**

For the year ended June 30, 2017, the District implemented GASB Statement No. 77, Tax Abatement Disclosures. A tax abatement is defined as a reduction in tax revenues that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the District or the citizens of the District. The District has entered into such agreements. A description of the District’s abatement programs where the District has promised to forego taxes follows:

**Enterprise Zone Program**

The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible. The zone’s geographic area is identified by the local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the Director of ODSA. The Director must then certify the area for it to become an active Enterprise Zone. Local communities may offer tax incentives for non-retail projects that are establishing or expanding operations in the State of Ohio. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins.

There is one Enterprise Zone within the District. Businesses located in an Enterprise Zone may negotiate exemptions on new property tax from investment for up to seventy-five percent (75%) for 10 years. For commercial projects, job retention and/or creation is also required. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. Agreements must be in place before the project begins. Pursuant to the terms of such agreements, if the actual number of employee positions created or retained by the business in any three-year period during which the agreement is in effect is not equal to or greater than 75 percent of the number of employee positions estimated to be created or retained under the agreement, the business shall repay the amount of taxes on property that would have been payable had the property not been exempted. In addition, the District may terminate or modify the exemptions from taxation granted under the agreement if the terms of the agreement are not met.

A summary of the taxes foregone on the District’s abatement programs for the year ended June 30, 2017 follows:

<u>Program</u>	<u>Tax Abated</u>	<u>Amount</u>
Enterprise Zone Agreements	Property Tax	\$5,818

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 10 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, income taxes and accounts (student fees) and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
General Fund	\$104,166

**NOTE 11 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$806,734	\$0	\$0	\$806,734
Total Nondepreciable Capital Assets	<u>806,734</u>	<u>0</u>	<u>0</u>	<u>806,734</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements/Infrastructure	5,708,569	44,935	0	5,753,504
Buildings and Improvements	20,265,126	35,485	0	20,300,611
Furniture, Fixtures and Equipment	7,674,712	369,446	0	8,044,158
Vehicles	<u>1,829,927</u>	<u>172,552</u>	<u>(131,100)</u>	<u>1,871,379</u>
Total Depreciable Capital Assets	<u>35,478,334</u>	<u>622,418</u>	<u>(131,100)</u>	<u>35,969,652</u>
Total Capital Assets	<u>36,285,068</u>	<u>622,418</u>	<u>(131,100)</u>	<u>36,776,386</u>
<i>Accumulated Depreciation:</i>				
Land Improvements/Infrastructure	(778,758)	(148,922)	0	(927,680)
Buildings and Improvements	(2,886,083)	(419,221)	0	(3,305,304)
Furniture, Fixtures and Equipment	(2,944,617)	(309,865)	0	(3,254,482)
Vehicles	<u>(818,216)</u>	<u>(111,132)</u>	<u>117,990</u>	<u>(811,358)</u>
Total Accumulated Depreciation	<u>(7,427,674)</u>	<u>(989,140)</u>	<u>117,990</u>	<u>(8,298,824)</u>
Total Net Capital Assets	<u>\$28,857,394</u>	<u>(\$366,722)</u>	<u>(\$13,110)</u>	<u>\$28,477,562</u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 11 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$703,058
Special	1,169
Vocational	2,372
<i>Support Services:</i>	
Pupils	3,891
Instructional Staff	44,272
Board of Education	258
Operation and Maintenance of Plant	103,179
Pupil Transportation	110,799
Operation of Non-Instructional Services	4,071
Extracurricular Activities	<u>16,071</u>
Total Depreciation Expense	<u><u>\$989,140</u></u>



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the District contracted with Liberty Mutual for professional and general liability insurance, fleet insurance, and property insurance. Coverage's provided are as follows:

Building and Contents (\$2,500 deductible)	\$49,599,961
Inland Marine Coverage (\$250 deductible)	50,000
<i>Automobile Liability:</i> (\$1,000 deductible for collision and \$1,000 comprehensive)	
Each Accident	1,000,000
Aggregate Limit per Year	3,000,000
<i>Professional and General Liability:</i>	
Each Occurrence	1,000,000
Aggregate Limit per Year	2,000,000
Umbrella Liability	2,000,000
<i>Public Officials Bonds:</i>	
Treasurer	100,000
Superintendent	74,000
Board President	74,000
Public Employee Dishonesty	25,000

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

For fiscal year 2017, the District participated with Sheakley Uniservice Inc. (the "Plan"), an insurance purchasing pool (Note 22). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

The District provides medical, prescription and dental insurance for its employees. Premiums are paid directly to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracted with Jefferson Health Plan, formerly known as Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), Jefferson Health Plan contracted with Employee Benefits Management Corporation to service the claims of SCOIC members.

The District was self-funded with the South Central Ohio Insurance Consortium effective January 1, 2002.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the District. The cash balance with the fiscal agent at June 30, 2017, was \$2,492,379. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2017, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

The claims liability of \$527,800 supported at June 30, 2017 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2016	\$302,587	\$2,729,944	\$2,354,704	\$677,827
2017	677,827	1,908,632	2,058,659	527,800

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Plan Description - School Employees Retirement System (SERS)**

**Plan Description** – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$387,768 for fiscal year 2017. Of this amount, \$0 is reported as an intergovernmental payable.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

**Plan Description - State Teachers Retirement System (STRS)**

**Plan Description** –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2017, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, employer rate was 14 percent and the plan members were also required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,042,800 for fiscal year 2017. Of this amount \$177,520 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,848,609	\$22,549,856	\$28,398,465
Proportion of the Net Pension Liability	0.07990910%	0.06736727%	
Pension Expense	\$615,534	\$1,840,867	\$2,456,401

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$78,884	\$911,122	\$990,006
Net Differences between Projected and Actual Investment Earnings	482,425	1,872,242	2,354,667
Change in Assumptions	390,427	0	390,427
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	46,477	631,476	677,953
District Contributions Subsequent to the Measurement Date	<u>387,768</u>	<u>1,042,800</u>	<u>1,430,568</u>
Total Deferred Outflows of Resources	<u>\$1,385,981</u>	<u>\$4,457,640</u>	<u>\$5,843,621</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	<u>\$14,242</u>	<u>\$0</u>	<u>\$14,242</u>
Total Deferred Inflows of Resources	<u>\$14,242</u>	<u>\$0</u>	<u>\$14,242</u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

\$1,430,568 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$248,559	\$608,670	\$857,229
2019	248,209	608,667	\$856,876
2020	348,524	1,327,101	\$1,675,625
2021	<u>138,679</u>	<u>870,402</u>	<u>\$1,009,081</u>
Total	<u>\$983,971</u>	<u>\$3,414,840</u>	<u>\$4,398,811</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$7,743,194	\$5,848,609	\$4,262,763

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS** - (Continued)

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$29,966,926	\$22,549,856	\$16,293,120

***Changes between Measurement Date and Report Date*** – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's net pension liability is expected to be significant.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, no members of the Board of Education have elected Social Security.

**School Employees Retirement System**

***Postemployment Benefits*** – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a post employment benefit plan.

***Health Care Plan*** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2017, the health care allocation is 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$38,736 and \$64,382, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**State Teachers Retirement System**

**Plan Description** – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0 each year.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2017. For the years ended June 30, 2016, and 2015, 0 percent each year, respectfully of covered payroll was allocated to post-employment healthcare. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 15 - LONG-TERM LIABILITIES**

The changes in the District's long-term liabilities during fiscal year 2017 were as follows:

	Issue Date	Interest Rate	Restated Principal Balance at July 1, 2016	Additions	Deletions	Principal Balance at June 30, 2017	Amount Due In One Year
<i>Governmental Activities:</i>							
School Improvement Bonds	2010	5.80%	\$10,535,000	\$0	\$920,000	\$9,615,000	\$945,000
Energy Conservation Bonds	2012	3.70%	435,000	0	30,000	405,000	30,000
General Obligation Refunding Bonds:							
Serial Bonds	2013	2-4%	3,425,000	0	895,000	2,530,000	0
Term Bonds	2013	3.5-4%	6,145,000	0	6,145,000	0	0
Capital Appreciation Bonds	2013	37.00%	26,732	0	7,742	18,990	5,514
Accretion on Capital Appreciation Bonds	2013	37.00%	46,114	24,821	17,258	53,677	19,486
Taxable Serial Bonds	2013	3.5-3.65%	1,085,000	0	1,085,000	0	0
General Obligation Refunding Bonds	2017	3-4%	0	8,000,000	0	8,000,000	0
Add Deferred Amounts:							
Premium on Bonds			434,754	1,013,509	271,315	1,176,948	56,571
Total General Obligation Bonds			22,132,600	9,038,330	9,371,315	21,799,615	1,056,571
Net Pension Liability:							
STRS			17,998,783	4,551,073	0	22,549,856	0
SERS			4,550,561	1,298,048	0	5,848,609	0
Total Net Pension Liability			22,549,344	5,849,121	0	28,398,465	0
Capital Leases			425,014	0	159,371	265,643	105,254
Compensated Absences			504,266	291,325	269,557	526,034	98,357
Total Governmental Activities Long-Term Liabilities			\$45,611,224	\$15,178,776	\$9,800,243	\$50,989,757	\$1,260,182

*General Obligation Bonds – Buildings and Improvements* – In April 2010, general obligation bonds at 5.80% interest were issued in the amount of \$26,500,000, as a result of the District being approved for school facilities funding through the State Department of Education for the renovation of the High School Building and to construct a new grades 5-8 middle school building. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2037. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 5.8 mill levy in November 2009. These bonds will be retired through the Bond Retirement Fund using these tax revenues.

*Energy Conservation Bonds* – In June 2012, energy conservation bonds at 3.70% interest were issued in the amount of \$515,229. The bonds are to be used for energy conservation measures including installations, modifications or remodeling to reduce energy consumption in buildings owned by the District. The bonds were issued for fifteen year period with final maturity at December 2027. These bonds will be retired through the Bond Retirement Fund.

*General Obligation Refunding Bonds* – In June 2013, general obligation refunding bonds were issued in the amount of \$10,761,731 for the purpose of refunding a portion of the 2010 School Improvement Bonds. \$3,505,000 was issued as serial bonds with interest rates ranging from 2.00% to 4.00%. \$6,145,000 was issued as term bonds with interest rates ranging from 3.50% to 4.00%. \$1,085,000 was issued as taxable serial bonds with interest rates ranging from 3.50% to 3.65%. Finally, \$26,732 was issued as capital appreciation bonds with an interest rate of 37.00%. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$568,518 and a reduction of \$859,540 in future debt service payments. The bonds were issued for a twenty-five year period, with final maturity December 1, 2037. The bonds will be retired through the Bond Retirement Fund.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 15 - LONG-TERM LIABILITIES** - (Continued)

*General Obligation Refunding Bonds* – In October 2016, general obligation refunding bonds were issued in the amount of \$8,000,000 for the purpose of refunding a portion of the 2013 Serial Bonds, the 2013 Term Bonds and the 2013 Taxable Serial Bonds. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$363,614 and a reduction of \$479,739 in future debt service payments. The bonds were issued for a twenty year period, with final maturity December 1, 2037. The bonds will be retired through the Bond Retirement Fund.

The District pays obligations related to employee compensation from the fund benefitting from their service. The compensated absences are paid from the fund from which the respective employees' salaries are paid. Most of the District's employees are paid from the General Fund, with the remainder being paid from the Title VI-B and Title I Funds.

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 District's voted legal debt margin was \$10,321,305 with an unvoted debt margin of \$361,196 at June 30, 2017. The District was granted permission to exceed the voted debt limit of 9% of their total assessed valuation by the State Superintendent of Public Instruction and the Ohio Department of Taxation before issuing these bonds.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2017 are as follows:

Year Ending June 30	General Obligation Refunding Bonds					
	Serial Bonds		Capital Appreciation Bonds		2017 Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$0	\$80,200	\$25,000	\$0	\$0	\$300,100
2019	0	80,200	25,000	0	0	300,100
2020	0	80,200	25,000	0	0	300,100
2021	0	80,200	25,000	0	0	300,100
2022	0	80,200	25,000	0	0	300,100
2023-2027	0	401,000	100,000	0	685,000	1,486,800
2028-2032	2,530,000	284,960	100,000	0	1,395,000	1,143,800
2033-2037	0	0	0	0	4,840,000	619,250
2038	0	0	0	0	1,080,000	16,200
Total	<u>\$2,530,000</u>	<u>\$1,086,960</u>	<u>\$325,000</u>	<u>\$0</u>	<u>\$8,000,000</u>	<u>\$4,766,550</u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 15 - LONG-TERM LIABILITIES - (Continued)**

Year Ending June 30	School Improvement Bonds		Energy Conservation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$945,000	\$870,000	\$30,000	\$14,430	\$1,000,000	\$1,264,730
2019	975,000	870,000	30,000	13,320	1,030,000	1,263,620
2020	1,005,000	870,000	35,000	12,118	1,065,000	1,262,418
2021	1,035,000	870,000	35,000	10,822	1,095,000	1,261,122
2022	1,065,000	870,000	35,000	9,528	1,125,000	1,259,828
2023-2027	4,590,000	3,045,000	195,000	26,732	5,570,000	4,959,532
2028-2032	0	0	45,000	832	4,070,000	1,429,592
2033-2037	0	0	0	0	4,840,000	619,250
2038	0	0	0	0	1,080,000	16,200
Total	<u>\$9,615,000</u>	<u>\$7,395,000</u>	<u>\$405,000</u>	<u>\$87,782</u>	<u>\$20,875,000</u>	<u>\$13,336,292</u>

**NOTE 16 - CAPITAL LEASE - LESSEE DISCLOSURE**

Previously, the District entered into three capital lease agreements for seven buses for the District in the amount of \$583,302.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	General Fund Capital Lease Payments
2018	\$112,006
2019	112,005
2020	54,030
Total	278,041
Less: Amount Representing Interest	12,398
Present Value of Net Minimum Lease Payments	<u>\$265,643</u>

**NOTE 17 - INTERFUND ACTIVITY**

Transfers From	Transfers To
General	Bond Retirement
	<u>\$45,540</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The total of \$45,540 is the result of transfers from the General Fund to the Bond Retirement Fund to debt-energy conservation.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

**NOTE 18 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>				
Prepays	\$11,626	\$0	\$0	\$11,626
Endowment	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Total Nonspendable	11,626	0	10,000	21,626
<i>Restricted:</i>				
<i>Special Revenues:</i>				
Athletics	0	0	93,424	93,424
Local Grants	0	0	4,359	4,359
State Grants	0	0	6,185	6,185
Debt Service	0	1,255,638	0	1,255,638
Endowment	<u>0</u>	<u>0</u>	<u>14,118</u>	<u>14,118</u>
Total Restricted	0	1,255,638	118,086	1,373,724
<i>Assigned:</i>				
<i>Encumbrances for:</i>				
Regular Instruction	13,121	0	0	13,121
Special Instruction	459	0	0	459
Student Intervention Services	350			
Vocational Instruction	1,427	0	0	1,427
Pupils	4,766	0	0	4,766
Instructional Staff	26,965	0	0	26,965
Board of Education	1,194	0	0	1,194
Administration	5,828	0	0	5,828
Fiscal	500	0	0	500
Operation & Maintenance	15,868	0	0	15,868
Central	2,810	0	0	2,810
Public School Support	27,793	0	0	27,793
Capital Projects	<u>0</u>	<u>0</u>	<u>34,695</u>	<u>34,695</u>
Total Assigned	101,081	0	34,695	135,776
<i>Unassigned</i>	<u>4,150,981</u>	<u>0</u>	<u>(116,462)</u>	<u>4,034,519</u>
Total Fund Balances	<u>\$4,263,688</u>	<u>\$1,255,638</u>	<u>\$46,319</u>	<u>\$5,565,645</u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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**NOTE 19 - STATUTORY SET-ASIDES**

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2017:

	<u>Capital Improvements</u>
Set-Aside Balance as of July 1, 2016	\$0
Current Year Set-Aside Requirement	346,468
Qualifying Disbursements	<u>(870,064)</u>
Total	<u>(523,596)</u>
Set-Aside Reserve Balance as of June 30, 2017	<u><u>\$0</u></u>

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

**NOTE 20 – ENCUMBRANCE COMMITMENTS**

At June 30, 2017, the District had encumbrance commitments in the governmental funds as follows:

<u>Major Funds</u>	
General	\$73,288
 <u>Nonmajor Funds</u>	
Food Service	\$298
District Managed Activities	10,524
Vocational Education Enhancements	2,625
Capital Projects	<u>6,649</u>
Total Nonmajor Funds	<u>20,096</u>
 Total Encumbrances	 <u><u>\$93,384</u></u>

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Educational Technology Association (META)**

META is a jointly governed organization among school districts in Franklin, Fairfield, Madison, Pickaway and Union counties. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, the administrative and instructional functions among member districts. Each of the member districts support META based upon a per pupil charge, dependent upon services utilized. The governing board consists of a representative from each Franklin County district. Districts outside of Franklin County are associate members and each County selects a single district to represent them on the governing board. META is its own fiscal agent. The District paid \$31,281 to META for services provided during fiscal year 2017. In accordance with GASB Statement No. 61, the District does not have any equity interest in META because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to any equity interest.

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

The SCOIC is a regional council of governments organized under Ohio Revised Code Section 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its members consisting of 19 entities within Fairfield, Fayette, Franklin, Hocking, Perry and Ross Counties. The governing board consists of the superintendent or other designees appointed by each of the members of the SCOIC. The participating members pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. The District serves as the fiscal agent for the SCOIC. The District joined the SCOIC on January 1, 2002. To obtain financial information, write to the Bloom-Carroll Local School District, Travis Bigam, who serves as Treasurer, at 5240 Plum Road, Carroll Ohio 43112.

**State Support Team Region 11(SSRT11)**

The State Support Team Region 11 (SSRT11) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Development Disabilities, representatives of universities and students and persons with disabilities representations. SSRT11 assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in SSRT11. SSRT11 is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

**NOTE 22 - INSURANCE PURCHASING POOL**

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

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



**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2017*

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**NOTE 23- CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

**B. Litigation**

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.

**C. School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As a result of the fiscal year 2017 reviews, the District owes ODE \$10,235. This amount has not been included in the financial statements.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**  
*Schedule of the District's Proportionate Share of Net Pension Liability*  
*Last Four Fiscal Years (1)*

	2016	2015	2014	2013
<b><u>School Employees Retirement System of Ohio</u></b>				
District's Proportion of the Net Pension Liability	0.07990910%	0.07974910%	0.08022200%	0.08022200%
District's Proportionate Share of the Net Pension Liability	\$5,848,609	\$4,550,561	\$4,059,990	\$4,770,545
District's Covered-Employee Payroll	\$2,876,057	\$3,006,064	\$1,777,785	\$2,766,828
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	203.36%	151.38%	228.37%	172.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
<b><u>State Teachers Retirement System of Ohio</u></b>				
District's Proportion of the Net Pension Liability	0.06736727%	0.06512550%	0.06441837%	0.06441837%
District's Proportionate Share of the Net Pension Liability	\$22,549,856	\$17,998,783	\$15,668,777	\$18,664,544
District's Covered-Employee Payroll	\$7,101,543	\$7,047,821	\$7,180,014	\$7,754,969
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	317.53%	255.38%	218.23%	240.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.71%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

*Changes in Assumptions* : For fiscal year 2017, SERS reported changes of assumptions which included a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

**BLOOM-CARROLL LOCAL SCHOOL DISTRICT**  
*Schedule of the District's Contributions*  
*Last Ten Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b><u>School Employees Retirement System of Ohio</u></b>										
Contractually Required Contributions	\$387,768	\$402,648	\$396,199	\$246,401	\$382,929	\$344,433	\$261,816	\$345,397	\$103,860	\$272,089
Contributions in Relation to the Contractually Required Contributions	(387,768)	(402,648)	(396,199)	(246,401)	(382,929)	(344,433)	(261,816)	(345,397)	(103,860)	(272,089)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,769,771	\$2,876,057	\$3,006,064	\$1,777,785	\$2,766,828	\$2,560,840	\$2,082,864	\$2,550,938	\$1,055,488	\$2,770,764
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%
<b><u>State Teachers Retirement System of Ohio</u></b>										
Contractually Required Contributions	\$1,042,800	\$994,216	\$986,695	\$933,402	\$1,008,146	\$951,863	\$963,785	\$890,654	\$651,367	\$889,933
Contributions in Relation to the Contractually Required Contributions	(1,042,800)	(994,216)	(986,695)	(933,402)	(1,008,146)	(951,863)	(963,785)	(890,654)	(651,367)	(889,933)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$7,448,571	\$7,101,543	\$7,047,821	\$7,180,014	\$7,754,969	\$7,322,023	\$7,413,731	\$6,851,185	\$5,010,515	\$6,845,638
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Amounts presented as of the District's measurement date which is the prior fiscal year end.

*Changes in Assumptions* : For fiscal year 2017, SERS reported changes of assumptions which included a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

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# Dave Yost • Auditor of State

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

Bloom-Carroll Local School District  
Fairfield County  
5240 Plum Road NW  
Carroll, Ohio 43112

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bloom-Carroll Local School District, Fairfield County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2018, wherein we noted the Net Position for June 30, 2016 was restated to correct an error.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 6, 2018

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Financial Statement Presentation - Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

In Fiscal Year 2017, the District incorrectly classified \$1,485,041 in Grants and Entitlements not Restricted to Specific Programs as Operating Grants and Contributions. To fairly present the Statement of Activities, an adjustment was required to be and was made to the financial statements.

In addition to the reclassification listed above, we also identified seven other misstatements ranging from \$3,798 to \$602,784 that were brought to the District's attention.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit reclassification.

To help reduce posting errors and increase reliability of the financial data, we recommend the District review controls over posting transactions to accounting records. The errors identified should be reviewed by the Treasurer and the Board to prevent similar errors from being reported improperly in subsequent years.

**Officials' Response** We did not receive a response from Officials to this finding.

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# Dave Yost • Auditor of State

**BLOOM CARROLL LOCAL SCHOOL DISTRICT**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2018**