



**Auditor of State  
Betty Montgomery**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types .....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison - (Non-GAAP Budgetary Basis) All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type .....	10
Combined Statement of Cash Flows - Proprietary Fund Type .....	11
Notes to the General Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	36
Notes to the Schedule of Federal Awards Expenditures .....	38
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	39
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance In Accordance with OMB-Circular A-133 .....	41
Schedule of Findings .....	43

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

Board of Education  
Bloomfield-Mespo Local School District  
2077 Park Road West  
North Bloomfield, Ohio 44450

We have audited the accompanying general-purpose financial statements of the Bloomfield-Mespo Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bloomfield-Mespo Local School District, Trumbull County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

February 28, 2004

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This page intentionally left blank.**

**This page intentionally left blank.**

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2003**

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Special Revenue	Enterprise	Agency
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 256,909	\$ 77,296	\$ 50,678	\$ 82,302
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	994,022	154,520	-	-
Accounts . . . . .	1,181	51	6	-
Due from other governments . . . . .	25,438	32,888	14,128	-
Materials and supplies inventory . . . . .	-	-	1,916	-
Prepayments . . . . .	10,423	-	26	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	107,415	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	6,426	-
<b>OTHER DEBITS:</b>				
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b>\$ 1,395,388</b>	<b>\$ 264,755</b>	<b>\$ 73,180</b>	<b>\$ 82,302</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 15,264	\$ 12,107	\$ -	\$ -
Accrued wages and benefits . . . . .	184,224	26,411	5,741	-
Compensated absences payable . . . . .	4,422	-	-	-
Pension obligation payable . . . . .	33,940	3,542	6,741	-
Deferred revenue . . . . .	989,429	167,455	-	-
Due to other governments . . . . .	7,450	2,153	285	75,890
Due to students . . . . .	-	-	-	6,412
Capital lease obligation payable . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b>1,234,729</b>	<b>211,668</b>	<b>12,767</b>	<b>82,302</b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings: unreserved . . . . .	-	-	60,413	-
Fund balances:				
Reserved for encumbrances . . . . .	62,295	6,815	-	-
Reserved for prepayments . . . . .	10,423	-	-	-
Reserved for tax revenue unavailable for appropriation. . . . .	4,593	-	-	-
Reserved for BWC refunds . . . . .	13,233	-	-	-
Reserved for capital maintenance . . . . .	94,182	-	-	-
Unreserved-undesignated . . . . .	(24,067)	46,272	-	-
<b>Total equity and other credits . . . . .</b>	<b>160,659</b>	<b>53,087</b>	<b>60,413</b>	<b>-</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$ 1,395,388</b>	<b>\$ 264,755</b>	<b>\$ 73,180</b>	<b>\$ 82,302</b>

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



Account Groups		
General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
\$ -	\$ -	\$ 467,185
-	-	1,148,542
-	-	1,238
-	-	72,454
-	-	1,916
-	-	10,449
-	-	107,415
2,392,185	-	2,398,611
<u>-</u>	<u>295,653</u>	<u>295,653</u>
<u>\$ 2,392,185</u>	<u>\$ 295,653</u>	<u>\$ 4,503,463</u>
\$ -	\$ -	\$ 27,371
-	-	216,376
-	220,300	224,722
-	20,678	64,901
-	-	1,156,884
-	-	85,778
-	-	6,412
<u>-</u>	<u>54,675</u>	<u>54,675</u>
<u>-</u>	<u>295,653</u>	<u>1,837,119</u>
2,392,185	-	2,392,185
-	-	60,413
-	-	69,110
-	-	10,423
-	-	4,593
-	-	13,233
-	-	94,182
<u>-</u>	<u>-</u>	<u>22,205</u>
<u>2,392,185</u>	<u>-</u>	<u>2,666,344</u>
<u>\$ 2,392,185</u>	<u>\$ 295,653</u>	<u>\$ 4,503,463</u>

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 897,105	\$ 155,475	\$ -	\$ 1,052,580
Tuition . . . . .	20,499	-	-	20,499
Earnings on investments . . . . .	8,171	-	-	8,171
Extracurricular activities . . . . .	-	49,233	-	49,233
Other local revenues . . . . .	69,377	3,022	-	72,399
Intergovernmental - State . . . . .	-	59,523	-	59,523
Intergovernmental - Federal . . . . .	1,383,478	412,077	-	1,795,555
	<u>2,378,630</u>	<u>679,330</u>	<u>-</u>	<u>3,057,960</u>
<b>Total revenue.</b> . . . . .	<b>2,378,630</b>	<b>679,330</b>	<b>-</b>	<b>3,057,960</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,003,683	264,093	11,400	1,279,176
Special . . . . .	128,970	295,150	-	424,120
Vocational . . . . .	53,828	-	-	53,828
Other . . . . .	595	-	-	595
Support services:				
Pupil . . . . .	138,768	7,321	-	146,089
Instructional staff . . . . .	73,663	45,441	-	119,104
Board of Education . . . . .	24,076	-	-	24,076
Administration . . . . .	296,569	14,596	-	311,165
Fiscal . . . . .	122,575	2,599	-	125,174
Business . . . . .	300	-	-	300
Operations and maintenance . . . . .	276,292	4,364	-	280,656
Pupil transportation . . . . .	179,923	1,153	-	181,076
Central . . . . .	657	-	-	657
Community services . . . . .	2,336	-	-	2,336
Extracurricular activities . . . . .	45,309	62,244	-	107,553
Facilities acquisition and construction . . . . .	-	100	-	100
Capital outlay . . . . .	60,023	-	-	60,023
Debt service:				
Principal retirement . . . . .	5,348	-	-	5,348
Interest and fiscal charges . . . . .	1,906	-	-	1,906
	<u>2,414,821</u>	<u>697,061</u>	<u>11,400</u>	<u>3,123,282</u>
<b>Total expenditures.</b> . . . . .	<b>2,414,821</b>	<b>697,061</b>	<b>11,400</b>	<b>3,123,282</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(36,191)	(17,731)	(11,400)	(65,322)
Other financing sources:				
Proceeds from sale of fixed assets . . . . .	4,210	-	-	4,210
Proceeds of capital lease transaction . . . . .	60,023	-	-	60,023
	<u>64,233</u>	<u>-</u>	<u>-</u>	<u>64,233</u>
<b>Total other financing sources.</b> . . . . .	<b>64,233</b>	<b>-</b>	<b>-</b>	<b>64,233</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	28,042	(17,731)	(11,400)	(1,089)
Fund balances, July 1 . . . . .	132,617	70,818	11,400	214,835
Fund balances, June 30 . . . . .	\$ 160,659	\$ 53,087	\$ -	\$ 213,746

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

**This page intentionally left blank.**

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes . . . . .	\$ 896,841	\$ 896,841	\$ -	\$ 155,475	\$ 155,475	\$ -
Tuition . . . . .	20,499	20,499	-	-	-	-
Earnings on investments . . . . .	8,171	8,171	-	-	-	-
Extracurricular activities . . . . .	-	-	-	49,182	49,182	-
Other local revenues . . . . .	17,213	17,213	-	3,020	3,022	2
Intergovernmental - State . . . . .	1,383,478	1,383,478	-	64,523	64,523	-
Intergovernmental - Federal . . . . .	-	-	-	396,783	396,783	-
Total revenues . . . . .	<u>2,326,202</u>	<u>2,326,202</u>	<u>-</u>	<u>668,983</u>	<u>668,985</u>	<u>2</u>
Expenditures:						
Current:						
Instruction:						
Regular . . . . .	1,112,217	1,020,756	91,461	288,449	273,698	14,751
Special . . . . .	174,561	160,206	14,355	320,334	303,952	16,382
Vocational . . . . .	55,710	51,129	4,581	-	-	-
Other . . . . .	648	595	53	-	-	-
Support services:						
Pupil . . . . .	150,565	138,184	12,381	9,786	9,286	500
Instructional staff . . . . .	97,567	89,544	8,023	47,030	44,625	2,405
Board of Education . . . . .	27,711	25,432	2,279	-	-	-
Administration . . . . .	333,510	306,085	27,425	15,319	14,535	784
Fiscal . . . . .	157,065	144,149	12,916	2,739	2,599	140
Business . . . . .	327	300	27	-	-	-
Operations and maintenance . . . . .	294,134	269,947	24,187	5,977	5,671	306
Pupil transportation . . . . .	246,972	226,663	20,309	1,207	1,145	62
Central . . . . .	716	657	59	-	-	-
Extracurricular activities . . . . .	48,297	44,325	3,972	66,876	63,456	3,420
Facilities acquisition and constructon . . . . .	-	-	-	105	100	5
Total expenditures . . . . .	<u>2,700,000</u>	<u>2,477,972</u>	<u>222,028</u>	<u>757,822</u>	<u>719,067</u>	<u>38,755</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(373,798)</u>	<u>(151,770)</u>	<u>222,028</u>	<u>(88,839)</u>	<u>(50,082)</u>	<u>38,757</u>
Other financing sources (uses):						
Other financing (uses) . . . . .	-	-	-	(2,178)	(2,067)	111
Proceeds from sale of fixed assets . . . . .	4,210	4,210	-	-	-	-
Refund of prior year expenditure . . . . .	25,549	25,549	-	-	-	-
Total other financing sources (uses) . . . . .	<u>29,759</u>	<u>29,759</u>	<u>-</u>	<u>(2,178)</u>	<u>(2,067)</u>	<u>111</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(344,039)</u>	<u>(122,011)</u>	<u>222,028</u>	<u>(91,017)</u>	<u>(52,149)</u>	<u>38,868</u>
Fund balances, July 1 . . . . .	393,885	393,885	-	100,362	100,362	-
Prior year encumbrances appropriated . . . . .	16,290	16,290	-	12,063	12,063	-
Fund balances, June 30 . . . . .	<u>\$ 66,136</u>	<u>\$ 288,164</u>	<u>\$ 222,028</u>	<u>\$ 21,408</u>	<u>\$ 60,276</u>	<u>\$ 38,868</u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,052,316	\$ 1,052,316	\$ -
-	-	-	20,499	20,499	-
-	-	-	8,171	8,171	-
-	-	-	49,182	49,182	-
-	-	-	20,233	20,235	2
-	-	-	1,448,001	1,448,001	-
-	-	-	396,783	396,783	-
-	-	-	2,995,185	2,995,187	2
11,400	11,400	-	1,412,066	1,305,854	106,212
-	-	-	494,895	464,158	30,737
-	-	-	55,710	51,129	4,581
-	-	-	648	595	53
-	-	-	160,351	147,470	12,881
-	-	-	144,597	134,169	10,428
-	-	-	27,711	25,432	2,279
-	-	-	348,829	320,620	28,209
-	-	-	159,804	146,748	13,056
-	-	-	327	300	27
-	-	-	300,111	275,618	24,493
-	-	-	248,179	227,808	20,371
-	-	-	716	657	59
-	-	-	115,173	107,781	7,392
-	-	-	105	100	5
11,400	11,400	-	3,469,222	3,208,439	260,783
(11,400)	(11,400)	-	(474,037)	(213,252)	260,785
-	-	-	(2,178)	(2,067)	111
-	-	-	4,210	4,210	-
-	-	-	25,549	25,549	-
-	-	-	27,581	27,692	111
(11,400)	(11,400)	-	(446,456)	(185,560)	260,896
11,400	11,400	-	505,647	505,647	-
-	-	-	28,353	28,353	-
\$ -	\$ -	\$ -	\$ 87,544	\$ 348,440	\$ 260,896

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services . . . . .	\$ 44,689
 Total operating revenues . . . . .	 44,689
Operating expenses:	
Personal services . . . . .	55,495
Contract services . . . . .	2,538
Materials and supplies . . . . .	50,129
Depreciation . . . . .	208
Other . . . . .	31
 Total operating expenses . . . . .	 108,401
Operating loss . . . . .	(63,712)
Nonoperating revenues:	
Operating grants . . . . .	69,031
Federal commodities . . . . .	8,485
Interest revenue . . . . .	528
 Total nonoperating revenues . . . . .	 78,044
 Net income . . . . .	 14,332
Retained earnings, July 1 . . . . .	46,081
Retained earnings, June 30 . . . . .	\$ 60,413

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

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges . . . . .	\$ 44,683
Cash payments for personal services . . . . .	(53,596)
Cash payments for contract services . . . . .	(2,598)
Cash payments for materials and supplies . . . . .	(41,746)
Cash payments for other expenses . . . . .	(31)
	(53,288)
Net cash used in operating activities . . . . .	(53,288)
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	63,131
Cash flows from capital and related financing activities:	
Acquisition of capital assets . . . . .	(5,032)
Cash flows from investing activities:	
Interest received . . . . .	528
Net increase in cash and cash equivalents . . . . .	5,339
Cash and cash equivalents at beginning of year . . . . .	45,339
Cash and cash equivalents at end of year . . . . .	\$ 50,678
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	\$ (63,712)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	208
Federal donated commodities . . . . .	8,485
Changes in assets and liabilities:	
Increase in accounts receivable . . . . .	(6)
Decrease in materials and supplies inventory . . . . .	80
Increase in prepayments . . . . .	(26)
Decrease in accounts payable . . . . .	(216)
Decrease in accrued wages and benefits . . . . .	199
Increase in due to other governments . . . . .	166
Increase in pension obligation payable . . . . .	1,534
	1,534
Net cash used in operating activities . . . . .	\$ (53,288)

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

**This page intentionally left blank.**



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

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

The District is the 629<sup>th</sup> largest by enrollment among the 740 public and community school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 22 non-certified and 32 certificated personnel to provide services to approximately 370 students and other community members.

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

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

***JOINTLY GOVERNED ORGANIZATION***

Northeast Ohio Management Information Network (NEOMIN)

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

***PUBLIC ENTITY RISK POOL***

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

***GOVERNMENTAL FUNDS***

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

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

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

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

**PROPRIETARY FUNDS**

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

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

**FIDUCIARY FUNDS**

Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual. There were no accruals at June 30, 2003, which in other fund types, would be reported on the combined balance sheet.

**ACCOUNT GROUPS**

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

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

**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost such as depreciation and amortization, are not recognized in governmental funds.

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11 to the financial statements.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

The District has invested funds in STAR Ohio during fiscal 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$8,171, which included \$1,800 assigned from other District funds.

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

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

**F. Inventory**

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

**G. Prepaids**

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

**H. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

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

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

**J. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax advance unavailable for appropriation, prepayments, Bureau of Workers' Compensation (BWC) refunds and capital maintenance. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a reserve for capital maintenance and for BWC refunds which are restricted in use by state statute. Fund balance reserves have also been established. See Note 17 statutory reserves.

**N. Estimates**

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

**O. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Emergency Levy	\$766

This GAAP-basis deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These deficits are caused by accruing wage, benefit and retirement obligation in accordance with GAAP. This fund complied with state statute which does not allow for a negative fund balance at year-end.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes require the classification of monies held by the District into three categories:

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)**

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

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$48,878 and the bank balance was \$85,084. The entire bank balance was covered by federal depository insurance.

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

The District had an investment of \$525,722 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

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

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
Per GASB Statement No. 9	\$ 574,600	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(525,722)</u>	<u>525,722</u>
GASB Statement No. 3	<u>\$ 48,878</u>	<u>\$525,722</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year.

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was \$40,404,234. Agricultural/residential and public utility/minerals real estate represented 87.21% or \$35,237,070 of this total; commercial & industrial real estate represented 4.26% or \$1,718,810 of this total; public utility tangible represented 4.12% or \$1,664,920 of this total and general tangible property represented 4.41% or \$1,783,434 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$55.30 per \$1,000.00 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$4,593 in the general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 6- RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$994,022
Accounts	1,181
Due from other governments	25,438
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	154,520
Due from other governments	32,888
 <u>Enterprise Funds</u>	
Due from other governments	14,128

**NOTE 7 - FIXED ASSETS**

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

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Land/improvements	\$ 39,013	\$ 5,512	\$ -	\$ 44,525
Buildings/improvements	1,410,487	-	-	1,410,487
Furniture/equipment	659,122	81,536	(24,864)	715,794
Vehicles	<u>220,281</u>	<u>1,098</u>	<u>-</u>	<u>221,379</u>
 Total	 <u>\$2,328,903</u>	 <u>\$88,146</u>	 <u>\$(24,864)</u>	 <u>\$2,392,185</u>

There was no construction-in-progress at June 30, 2003.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 80,324
Less: accumulated depreciation	<u>(73,898)</u>
Net fixed assets	<u>\$ 6,426</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and pension obligations will ultimately be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Pension obligation payable	\$ 23,689	\$ 20,678	\$(23,689)	\$ 20,678
Compensated absences	212,988	23,492	(16,180)	220,300
Early retirement incentive	-	7,500	(7,500)	-
Capital lease payable	<u>-</u>	<u>60,023</u>	<u>(5,348)</u>	<u>54,675</u>
Total	<u>\$236,677</u>	<u>\$111,693</u>	<u>\$(52,717)</u>	<u>\$295,653</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$3,636,381 and an unvoted debt margin \$40,404.

**NOTE 9 - CAPITAL LEASE**

During fiscal year 2003, the District entered into a capitalized lease for copier equipment. This lease met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, the lease was accounted for as an other financing source and a capital outlay expenditure in the General Fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$60,023. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments of \$5,348 were made during fiscal year 2003 from the general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 9 – CAPITAL LEASE – (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	Amount
2004	\$ 14,508
2005	14,508
2006	14,508
2007	14,508
2008	7,254
Total	65,286
Less: amount representing interest	(10,611)
Present value of minimum lease payments	\$ 54,675

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

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

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

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from fiscal 2002.

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

The District has contracted with the Trumbull County School Employee Insurance Benefit Consortium, a public entity shared risk pool comprised of 16 member school districts in Trumbull County, to provide health care benefits for its employees. Rates are set through an annual calculation process. The District pays a monthly premium which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims.



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

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

The following table summarizes the monthly premiums:

	<u>Family</u>	<u>Single</u>
Health Insurance		
HMO	\$ 987.83	\$ 434.09
Traditional Plan	1,046.89	403.16

The District also provides vision and life insurance coverage for employees. The vision coverage is administered by Vision Service Plan and Medical Life Insurance Company provides the life insurance coverage. The District pays the insurance premiums, as a fringe benefit for the employees.

**C. Workers' Compensation**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 11 – SEGMENT INFORMATION – ENTERPRISE FUNDS – (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 44,689	\$ -	\$ 44,689
Operating expenses before depreciation	108,193	-	108,193
Depreciation expense	208	-	208
Operating loss	(63,712)	-	(63,712)
Nonoperating revenue:			
Operating grants	69,031	-	69,031
Donated federal commodities	8,485	-	8,485
Interest revenue	528	-	528
Net income	14,332	-	14,332
Net working capital	53,004	4,082	57,086
Total assets	69,098	4,082	73,180
Long-term liabilities			
payable from fund revenues	3,099	-	3,099
Total fund equity	56,331	4,082	60,413
Encumbrances outstanding as of 6/30/03	-	-	-

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$52,159, \$48,113, and \$43,713, respectively; 46.14% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$28,092, represents the unpaid contribution for fiscal year 2003.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 12 – DEFINED BENEFIT PENSION PLANS – (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salaries. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 12 – DEFINED BENEFIT PENSION PLANS – (Continued)**

The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$185,858, \$189,657, and \$171,598, respectively; 84.22% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$29,332, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. Members of the Board of Education have the option to elect Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$13,276 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 13 – POSTEMPLOYMENT BENEFITS – (Continued)**

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$33,530 during the 2003 fiscal year.

**NOTE 14 - SEVERANCE BUY-OUT PLAN**

A Severance Buy-Out Plan (SBP) was implemented on August 16, 2000, and was offered to certified teaching staff. This plan was effective until June 15, 2003. In order to take advantage, employees were required to have 30 total years of service and notify the treasurer's office within 90 days prior to their retirement date. The retirees will receive \$7,500 in addition to payment for unused sick leave to the extent allowed according to the District's policy. Payments will be made in two equal installments beginning in the month following the employee's retirement, and the remaining payment will be made within one year. There were \$7,500 in SBP payments made in fiscal 2003.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis);

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 15 – BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$(122,011)	\$(52,149)	\$(11,400)
Net adjustment for revenue accruals	52,428	10,345	-
Net adjustment for expenditure accruals	(13,009)	4,986	-
Net adjustment for other financing sources	34,474	2,067	-
Encumbrances (budget basis)	<u>76,160</u>	<u>17,020</u>	<u>-</u>
GAAP basis	<u>\$ 28,042</u>	<u>\$(17,731)</u>	<u>\$(11,400)</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**B. Litigation**

The District is not involved in litigation as either plaintiff or defendant.

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

<u>Materials</u>	<u>Instructional Maintenance</u>	<u>Capital Refunds</u>	BWC
Set-aside cash balance as of July 1, 2002	\$(17,124)	\$ 61,567	\$13,233
Current year set-aside requirement	56,107	56,107	-
Qualifying disbursements	<u>(78,407)</u>	<u>(23,492)</u>	<u>-</u>
Balance June 30, 2003	<u>\$(39,424)</u>	<u>\$ 94,182</u>	<u>\$13,233</u>
Cash balance carried forward to FY 2004	<u>\$(39,424)</u>	<u>\$ 94,182</u>	<u>\$13,233</u>

Monies representing BWC refunds that were received prior to April 10, 2002, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

The District had qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for capital maintenance	\$ 94,182
Amount restricted for BWC refunds	<u>13,233</u>
Total restricted assets	<u>\$107,415</u>

**NOTE 18 – RESTATEMENT OF ACCOUNT GROUP BALANCE**

Beginning in the fiscal year 2003, the District changed its capitalization threshold for fixed assets from \$500 to \$1,000. As a result, a restatement of the beginning balance at July 1, 2002 has been made to the General Fixed Assets Account Group. The net effect on the Account Group balance is a decrease of \$116,514 from \$2,445,417 to \$2,328,903.

**BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program		10.550		\$8,485		\$8,485
National School Breakfast Program	05-PU-03 05-PU-02	10.553	\$10,278 3,876 <u>14,154</u>		\$10,278 3,876 <u>14,154</u>	
National School Lunch Program	LL-P4-03 LL-PU-02	10.555	32,588 12,331 <u>44,919</u>		32,588 12,331 <u>44,919</u>	
Summer School Breakfast Program	24-PU02 23-PU-02	10.559	34 339 <u>373</u>		34 339 <u>373</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			59,446	8,485	59,446	8,485
<b><u>U.S. OFFICE OF LIBRARY SERVICES</u></b>						
<i>Passed Through State Library of Ohio</i>						
LSTA Library Grant	II-1-02	45.310			11,571	
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-03 C1-S1-02 C1-S1-01	84.010	251,860 4,659 0 <u>256,519</u>		231,202 24,210 21,094 <u>276,506</u>	
Special Education Grants to States (Title VI-B)	6B-SF-03-P 6B-SF-02-P	84.027	47,677 1,440 <u>49,117</u>		47,677 1,440 <u>49,117</u>	
Safe & Drug Free Schools (ESEA Title IV)	DR-S1-03	84.186	5,846		5,846	
Eisenhower Professional Development State Grants	MS-S1-02	84.281	-1,463			
Innovative Educational Program Strategies (Title V)	C2-S1-02 C2-S1-01	84.298	2,149 <u>2,149</u>		323 2,149 <u>2,472</u>	
Technology Fund (Title II-D)	TJ-S1-03	84.318	7,237		7,237	
Class Size Reduction (ESEA Title VI-R)	CR-S1-02	84.340	-193		11,327	



**BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. DEPARTMENT OF EDUCATION (Continued)</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Assistive Technology Infusion Project	AT-S3-02	84.352	7,256		5,550	
	AT-S4-02		<u>2,072</u>		<u>1,718</u>	
			9,328		7,268	
Improving Teacher Quality (Title II-A)	TR-S1-03	84.367	54,678		48,226	
<i>Passed Through Trumbull County Educational Service Center:</i>						
English Language Acquisition	T3-S1-2003	84.365	<u>11,484</u>		<u>2,774</u>	
Total Department of Education			<u>394,702</u>		<u>410,773</u>	
<b>Totals</b>			<b><u>\$454,148</u></b>	<b><u>\$8,485</u></b>	<b><u>\$481,790</u></b>	<b><u>\$8,485</u></b>

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

**BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Education  
Bloomfield-Mespo Local School District  
2077 Park Road West  
North Bloomfield, Ohio 44450

We have audited the financial statements of Bloomfield-Mespo Local School District, Trumbull County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

February 27, 2004

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Bloomfield-Mespo Local School District  
2077 Park Road West  
North Bloomfield, Ohio 44450

#### Compliance

We have audited the compliance of Bloomfield-Mespo Local School District, Trumbull County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Bloomfield-Mespo Local School District, Trumbull County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Bloomfield-Mespo Local School District  
Independent Accountant's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

February 27, 2004

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**BLOOMFIELD – MESPO LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2003**

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

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

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

None.

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

None.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2004**