



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BLOOM CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Bloom Carroll Local School District
Fairfield County
69 Beaver Street
Carroll, Ohio 43112

To: Board of Education

We have audited the accompanying general-purpose financial statements of Bloom Carroll Local School District, Fairfield County, Ohio (the District) as of and for the year ended June 30, 2001, 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 Bloom Carroll Local School District, Fairfield County, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds 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 November 27, 2002 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.

JIM PETRO
Auditor of State

November 27, 2002

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BLOOM-CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$2,981,343	\$139,369	\$20,109	\$42,143	\$27,956	\$33,196	\$0	\$0	\$3,244,116
Equity in pooled cash and cash equivalents - non-expendable trust fund.	0	0	0	0	0	33,380	0	0	33,380
Receivables (net of allowances of uncollectibles):									
Taxes - current and delinquent.	4,174,686	0	0	0	0	0	0	0	4,174,686
Accounts.	686	0	0	0	0	0	0	0	686
Interfund loan receivable	44,225	0	0	0	0	0	0	0	44,225
Due from other governments.	0	1,025	0	0	0	0	0	0	1,025
Accrued interest	5,325	0	0	0	0	0	0	0	5,325
Prepayments.	4,324	0	0	0	0	0	0	0	4,324
Materials and supplies inventory	2,872	0	0	9,375	0	0	0	0	12,247
Restricted assets:									
Equity in pooled cash and cash equivalents	103,425	0	0	0	0	0	0	0	103,425
Property, plant and equipment (net of accumulated depreciation where applicable).	0	0	0	32,633	0	0	8,112,736	0	8,145,369
OTHER DEBITS:									
Amount to be provided for retirement of General Long-Term Obligations.	0	0	0	0	0	0	0	993,760	993,760
Total assets and other debits	\$7,316,886	\$140,394	\$20,109	\$84,151	\$27,956	\$66,576	\$8,112,736	\$993,760	\$16,762,568

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

--Continued

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$114,919	\$7,016	\$9,918	\$39	\$0	\$50	\$0	\$0	\$131,942
Accrued wages and benefits.	779,298	19,959	5,643	23,808	0	0	0	0	828,708
Compensated absences payable.	12,876	0	0	4,600	0	0	0	621,320	638,796
Pension obligation payable	125,290	1,676	0	16,650	0	0	0	56,886	200,502
Interfund loan payable	0	44,225	0	0	0	0	0	0	44,225
Claims payable.	0	0	0	0	139,931	0	0	0	139,931
Deferred revenue	3,523,604	0	0	0	0	0	0	0	3,523,604
Due to other governments.	36,941	1,932	0	0	0	0	0	0	38,873
Due to students	0	0	0	0	0	32,447	0	0	32,447
Energy conservation bonds payable.	0	0	0	0	0	0	0	279,400	279,400
Obligation under capital lease	0	0	0	0	0	0	0	36,154	36,154
Total liabilities	4,592,928	74,808	15,561	45,097	139,931	32,497	0	993,760	5,894,582
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets.	0	0	0	0	0	0	8,112,736	0	8,112,736
Contributed capital.	0	0	0	114,813	0	0	0	0	114,813
Accumulated deficit.	0	0	0	(75,759)	(111,975)	0	0	0	(187,734)
Fund balances:									
Reserved for encumbrances.	196,472	2,820	0	0	0	150	0	0	199,442
Reserved for prepayments	4,324	0	0	0	0	0	0	0	4,324
Reserved for supplies inventory.	2,872	0	0	0	0	0	0	0	2,872
Reserved for principal endowment.	0	0	0	0	0	33,380	0	0	33,380
Reserved for budget stabilization.	27,905	0	0	0	0	0	0	0	27,905
Reserved for instructional materials.	75,520	0	0	0	0	0	0	0	75,520
Unreserved-undesignated.	2,416,865	62,766	4,548	0	0	549	0	0	2,484,728
Total equity and other credits.	2,723,958	65,586	4,548	39,054	(111,975)	34,079	8,112,736	0	10,867,986
Total liabilities, equity and other credits	\$7,316,886	\$140,394	\$20,109	\$84,151	\$27,956	\$66,576	\$8,112,736	\$993,760	\$16,762,568

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$4,492,179	\$0	\$0	\$0	\$0	\$4,492,179
Tuition	331,536	0	0	0	0	331,536
Earnings on investments	234,079	0	0	0	0	234,079
Other local revenues	126,715	107,806	0	0	1,813	236,334
Intergovernmental - State	3,771,684	47,111	0	12,000	0	3,830,795
Intergovernmental - Federal	0	207,069	0	0	0	207,069
Total revenue	8,956,193	361,986	0	12,000	1,813	9,331,992
Expenditures:						
Current:						
Instruction:						
Regular	4,132,545	26,072	0	0	0	4,158,617
Special	587,350	99,038	0	0	0	686,388
Vocational	209,395	0	0	4,658	0	214,053
Other	150,458	0	0	0	0	150,458
Support services:						
Pupil	326,320	69,115	0	0	0	395,435
Instructional staff	245,857	17,218	0	22,948	0	286,023
Board of Education	86,051	0	0	0	0	86,051
Administration	1,098,890	2,947	0	0	0	1,101,837
Fiscal	165,753	0	\$612	0	0	166,365
Business	70	0	0	0	0	70
Operations and maintenance	1,183,436	0	0	114,233	0	1,297,669
Pupil transportation	601,395	0	0	0	0	601,395
Central	26,410	0	0	0	0	26,410
Community services	0	0	0	0	1,728	1,728
Extracurricular activities	239,522	111,822	0	0	0	351,344
Debt service:						
Principal retirement	69,382	0	85,000	0	0	154,382
Interest and fiscal charges	25,432	0	3,081	0	0	28,513
Total expenditures	9,148,266	326,212	88,693	141,839	1,728	9,706,738
Excess (deficiency) of revenues over (under) expenditures	(192,073)	35,774	(88,693)	(129,839)	85	(374,746)
Other financing sources (uses):						
Operating transfers in	134,141	0	0	0	0	134,141
Operating transfers out	0	0	(134,141)	0	0	(134,141)
Proceeds from sale of assets	3,319	0	0	0	0	3,319
Total other financing sources (uses)	137,460	0	(134,141)	0	0	3,319
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(54,613)	35,774	(222,834)	(129,839)	85	(371,427)
Fund balance, July 1	2,775,699	29,812	222,834	134,387	614	3,163,346
Increase in reserve for inventory	2,872	0	0	0	0	2,872
Fund balance, June 30	\$2,723,958	\$65,586	\$0	\$4,548	\$699	\$2,794,791

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
 FAIRFIELD 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 YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$4,584,176	\$4,676,407	\$92,231	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,584,176	\$4,676,407	\$92,231
Tuition.....	397,537	331,536	(66,001)	0	0	0	0	0	0	0	0	0	397,537	331,536	(66,001)
Earnings on investments.....	201,700	233,095	31,395	75	0	(75)	0	0	0	0	0	0	201,775	233,095	31,320
Other local revenues.....	79,050	115,115	36,065	98,170	107,802	9,632	0	0	0	0	0	0	177,220	222,917	45,697
Intergovernmental - State.....	3,755,435	3,771,683	16,248	34,934	46,422	11,488	0	0	0	12,000	12,000	0	3,802,369	3,830,105	27,736
Intergovernmental - Federal.....	0	0	0	207,069	206,044	(1,025)	0	0	0	0	0	0	207,069	206,044	(1,025)
Total revenues.....	9,017,898	9,127,836	109,938	340,248	360,268	20,020	0	0	0	12,000	12,000	0	9,370,146	9,500,104	129,958
Expenditures:															
Current:															
Instruction:															
Regular.....	4,101,272	4,064,064	37,208	39,634	23,805	15,829	0	0	0	0	0	0	4,140,906	4,087,869	53,037
Special.....	581,441	571,420	10,021	112,691	98,300	14,391	0	0	0	0	0	0	694,132	669,720	24,412
Vocational.....	217,465	207,068	10,397	0	0	0	0	0	0	4,568	4,568	0	222,033	211,636	10,397
Other.....	152,439	150,458	1,981	0	0	0	0	0	0	0	0	0	152,439	150,458	1,981
Support Services:															
Pupil.....	314,532	300,795	13,737	73,333	73,300	33	0	0	0	0	0	0	387,865	374,095	13,770
Instructional Staff.....	250,984	238,258	12,726	30,135	18,629	11,506	0	0	0	22,976	17,381	5,595	304,095	274,268	29,827
Board of Education.....	98,661	91,758	6,903	0	0	0	0	0	0	0	0	0	98,661	91,758	6,903
Administration.....	1,126,983	1,104,970	22,013	4,644	2,948	1,696	0	0	0	0	0	0	1,131,627	1,107,918	23,709
Fiscal.....	171,238	163,819	7,419	3	0	3	612	612	0	0	0	0	171,853	164,431	7,422
Business.....	300	70	230	0	0	0	0	0	0	0	0	0	300	70	230
Operations and maintenance.....	1,419,742	1,314,381	105,361	0	0	0	0	0	0	116,785	114,033	2,752	1,536,527	1,428,414	108,113
Pupil transportation.....	774,088	713,177	60,911	0	0	0	0	0	0	0	0	0	774,088	713,177	60,911
Central.....	41,100	28,295	12,805	0	0	0	0	0	0	0	0	0	41,100	28,295	12,805
Extracurricular activities.....	245,234	239,127	6,107	115,412	110,493	4,919	0	0	0	0	0	0	360,646	349,620	11,026
Facilities acquisition & construction.....	250,000	0	250,000	0	0	0	0	0	0	0	0	0	250,000	0	250,000
Debt service:															
Principal retirement.....	60,000	60,000	0	0	0	0	215,500	215,500	0	0	0	0	275,500	275,500	0
Interest and fiscal charges.....	17,464	17,464	0	0	0	0	6,722	6,722	0	0	0	0	24,186	24,186	0
Total expenditures.....	9,822,943	9,265,124	557,819	375,852	327,475	48,377	222,834	222,834	0	144,329	135,982	8,347	10,565,958	9,951,415	614,543
Excess (deficiency) of revenues over (under) expenditures.....	(805,045)	(137,288)	667,757	(35,604)	32,793	68,397	(222,834)	(222,834)	0	(132,329)	(123,982)	8,347	(1,195,812)	(451,311)	744,501
Other financing sources (uses):															
Refund of prior year's expenditures.....	195	11,956	11,761	0	0	0	0	0	0	0	0	0	195	11,956	11,761
Refund of prior year's (receipts).....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating transfers in.....	0	0	0	4	4	0	0	0	0	0	0	0	4	4	0
Operating transfers (out).....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Advances in.....	0	6,300	6,300	0	50,525	50,525	0	0	0	0	0	0	0	56,825	56,825
Advances (out).....	(90,000)	(50,525)	39,475	0	(6,300)	(6,300)	0	0	0	0	0	0	(90,000)	(56,825)	33,175
Proceeds of sale of notes.....	130,500	130,500	0	0	0	0	0	0	0	0	0	0	130,500	130,500	0
Proceeds of sale of fixed assets.....	1,042	3,319	2,277	0	0	0	0	0	0	0	0	0	1,042	3,319	2,277
Total other financing sources (uses).....	41,737	101,550	59,813	4	44,229	44,225	0	0	0	0	0	0	41,741	145,779	104,038
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(763,308)	(35,738)	727,570	(35,600)	77,022	112,622	(222,834)	(222,834)	0	(132,329)	(123,982)	8,347	(1,154,071)	(305,532)	848,539
Fund balance, July 1.....	2,501,577	2,501,577	0	55,049	55,049	0	222,834	222,834	0	134,387	134,387	0	2,913,847	2,913,847	0
Prior year encumbrances appropriated.....	340,464	340,464	0	0	0	0	0	0	0	0	0	0	340,464	340,464	0
Fund balances, June 30.....	\$2,078,733	\$2,806,303	\$727,570	\$19,449	\$132,071	\$112,622	\$0	\$0	\$0	\$2,058	\$10,405	\$8,347	\$2,100,240	\$2,948,779	\$848,539

The notes to the general purpose financial statements are an integral part of this statement

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN (ACCUMULATED DEFICIT)/FUND EQUITY
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Sales/charges for services	\$223,200	\$542,417	\$0	\$765,617
Investment earnings	0	0	1,854	1,854
Other operating revenues	0	0	2,567	2,567
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	223,200	542,417	4,421	770,038
Operating expenses:				
Personal services	169,191	61,123	0	230,314
Contract services	4,138	2,688	0	6,826
Materials and supplies	112,625	0	0	112,625
Depreciation	3,789	0	0	3,789
Claims expense	0	546,185	0	546,185
Other operating expenses	1,017	0	2,800	3,817
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	290,760	609,996	2,800	903,556
Operating income (loss)	(67,560)	(67,579)	1,621	(133,518)
Nonoperating revenues (expenses):				
Operating grants	32,739	0	0	32,739
Interest revenue	1,774	0	0	1,774
Federal donated commodities	28,501	0	0	28,501
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	63,014	0	0	63,014
Net income (loss)	(4,546)	(67,579)	1,621	(70,504)
(Accumulated Deficit)/Fund Equity, July 1	(71,213)	(44,396)	31,759	(83,850)
(Accumulated Deficit)/Fund Equity, June 30	<u>(\$75,759)</u>	<u>(\$111,975)</u>	<u>\$33,380</u>	<u>(\$154,354)</u>

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from sales/service charges	\$223,200	\$553,477	\$0	\$776,677
Cash received from other operations.	0	0	2,567	2,567
Cash payments for personal services.	(161,978)	(491,951)	0	(653,929)
Cash payments for contract services	(4,099)	(2,688)	0	(6,787)
Cash payments supplies and materials	(91,467)	0	0	(91,467)
Cash payments claim payments	0	(54,234)	0	(54,234)
Cash payments for other expenses	(1,017)	0	(2,800)	(3,817)
Net cash provided by (used in) operating activities	(35,361)	4,604	(233)	(30,990)
Cash flows from noncapital financing activities:				
Cash received from operating grants.	37,336	0	0	37,336
Net cash provided by noncapital financing activities	37,336	0	0	37,336
Cash flows from capital and related financing				
Acquisition of capital assets	(748)	0	0	(748)
Net cash used in capital and related financing activities	(748)	0	0	(748)
Cash flows from investing activities:				
Interest received	1,774	0	1,854	3,628
Net cash provided by investing activities.	1,774	0	1,854	3,628
Net increase in cash and cash equivalents	3,001	4,604	1,621	9,226
Cash and cash equivalents at beginning of year.	39,142	23,352	31,759	94,253
Cash and cash equivalents at end of year	\$42,143	\$27,956	\$33,380	\$103,479
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss).	(\$67,560)	(\$67,579)	\$1,621	(\$133,518)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,789	0	0	3,789
Federal donated commodities	20,343	0	0	20,343
Interest reported as operating income	0	0	(1,854)	(1,854)
Changes in assets and liabilities:				
Decrease in supplies inventory	1,857	0	0	1,857
Decrease in cash in segregated accounts	0	11,060	0	11,060
Increase in accrued wages & benefits.	4,981	0	0	4,981
Increase in accounts payable.	39	0	0	39
Increase in compensated absences payable.	199	0	0	199
Decrease in pension obligation payable.	2,033	0	0	2,033
Increase in claims payable	0	61,123	0	61,123
Decrease in deferred revenue.	(1,042)	0	0	(1,042)
Net cash provided by (used in) operating activities	(\$35,361)	\$4,604	(\$233)	(\$30,990)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bloom-Carroll Local School District (the "District") is located in Fairfield County, in Carroll, Ohio. The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 4 instructional buildings. The District employs 49 non-certified and 115 (including administrative) full-time and part-time employees to provide services to approximately 1,411 students in grades K through 12 and various community groups, which ranks it 394 out of approximately 682 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No.14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

Jointly Governed Organizations

Metropolitan Educational Council (MEC) - MEC is a jointly governed organization among school districts in Franklin, Fairfield, Pickaway and Fairfield counties. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. Each of the member districts support MEC based upon a per pupil charge, dependent upon services utilized. MEC is governed by a board of directors consisting of one superintendent or his/her designee from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the Board. In the event of the dissolution of MEC, the participants will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contributions and likewise shall participate in proceeds from the sale of assets upon liquidation. In accordance with GASB statement No. 14, the District does not have an equity interest in MEC because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. MEC is it's own fiscal agent.

South Central Ohio Insurance Consortium (SCOIC) - The SCOIC is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the Superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

The District is also a participant in an insurance group purchasing pool, discussed in Note 12.

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:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(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 - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Expendable Trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds - 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 and Trust 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 Fund is 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.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust Fund 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 and Expendable Trust 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 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance 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, 2001, 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.

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the 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 received are reported on the operating statement as an expense, with a like amount reported as donated commodities revenue.

On the accrual basis of accounting, revenue from non-exchange 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 2001 is as follows:

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

D. Budgets – (continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District's Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
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 fiscal year 2001 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 throughout the year by supplemental appropriations, which either reallocated or increased (decreased) the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$260,558
Special Revenue Funds	42,181
Debt Service Fund	133,334
Capital Projects Funds	9,943
Expendable Trust Fund	(287)
Enterprise Fund	(8,638)
Internal Service Fund	(42,500)
Nonexpendable Trust Fund	(3,500)
Agency Funds	(10,040)
 Total	 \$381,051

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

D. Budgets – (continued)

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.

The District utilizes encumbrances 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 a commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of 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 basis and GAAP basis of accounting.

E. Cash and Investments

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

During fiscal year 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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, 2001.

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 year 2001 totaled \$234,079, which included \$25,520 assigned from other funds of the District.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

F. Inventory (Continued)

Inventories of Governmental Funds are stated at cost. The cost of inventory items is recorded as an expenditure in the Governmental Fund type when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the Governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

G. Prepayments

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) 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 \$500 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.

2. Proprietary and Non-expendable Trust Funds

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

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Eisenhower Grant
Title VI-B
Title I
Title VI
Drug-Free Schools
SchoolNet Professional Development
Ohio Reads

Non-Reimbursable Grants - (Continued)

Special Revenue Funds - (Continued)

Summer Intervention
Vocational Education Enhancements

Reimbursable Grants

Proprietary Funds

National School Lunch Program
National School Milk Program

Capital Project Funds

SchoolNet Equipment

Grants and entitlements amounted to over 40% of the District's operating revenue during the 2001 fiscal year.

J. Compensated Absences

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

J. Compensated Absences (Continued)

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

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary Funds is recorded as an expense when earned.

K. Long-Term Obligations

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, contractually required pension contributions, and early retirement incentives 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 60 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.

L. 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, materials and supplies inventory, debt service, tax revenue unavailable for appropriation, and prepayments. The reserve for property taxes represents taxes recognized as revenue in accordance with GAAP, but not available for appropriation in accordance with Ohio statute. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

M. Interfund Transactions

Transactions between funds during the course of normal operations may occur. 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 report 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.
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.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

N. Statutory Reserves

The District is required by State law to set-aside certain (cash basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Capital Textbooks	Budget Acquisition	Stabilization
Set-aside cash balance as of June 30, 2000	\$ 108,259	\$ 0	\$ 170,255
Current year set-aside requirement	243,147	243,147	0
Current year offsets	0	0	0
Qualifying disbursements	(275,886)	(517,144)	0
Change in statutory requirement	0	0	(142,350)
Total	<u>75,520</u>	<u>(273,997)</u>	<u>27,905</u>
Cash balance carried forward to FY 2002	<u>\$ 75,520</u>	<u>\$ 0</u>	<u>\$ 27,905</u>

The District transferred monies in excess of the BWC refund received from the Budget stabilization reserve to comply with new regulations regarding this reserve.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

N. Statutory Reserves (Continued)

The District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future years.

P. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise Funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short-term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. 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.

S. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources to the Proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. At June 30, 2001, the District had \$114,813 of contributed capital.

T. Memorandum Only - Total Columns

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Non exchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed non exchange transactions, government-mandated non exchange transactions, and voluntary non exchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

Fund balances at June 30, 2001, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title VI-B	\$ (3,035)
Title I	(1,769)
<u>Enterprise Fund</u>	
Food Service	(83,917)
<u>Internal Service Fund</u>	
Self Insurance	(111,975)

These funds complied with Ohio statute, which does not permit a cash basis deficit at year-end. These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$50,615 and the bank balance was \$192,973. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$92,973 was uninsured but collateralized. Although all securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are required to be 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 for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party'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 counter party, or by its trust department or agent, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
Not Subject to Categorization:	
Investment in State	
Treasurer's Investment Pool	<u>\$3,330,306</u>
 Total Investments	 <u>\$3,330,306</u>

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

A reconciliation between the classifications of cash, cash equivalents, and investments 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:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,380,921	0
Investments of the Cash		
Management Pool:		
State Treasurer's Investment Pool	<u>(3,330,306)</u>	<u>\$ 3,330,306</u>
 GASB Statement No. 3	 <u>\$ 50,615</u>	 <u>\$ 3,330,306</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

A. Operating Transfers

The following is a reconciliation of the District's operating transfers for fiscal year 2001:

	Transfers In	Transfers (Out)
General Fund	\$ 134,141	0
Debt Service Fund		\$ (134,141)
Totals	\$ 134,141	\$ (134,141)

B. Interfund Loans

The following is a reconciliation of the District's interfund loan receivable/(payable) for fiscal year 2001:

	Interfund loan Receivable	Interfund Loan (Payable)
General Fund	\$ 44,225	0
<u>Special Revenue Funds</u>		
Public School Support	0	\$ (150)
District Managed Student Activity	0	(13,000)
Title VI-B	0	(10,000)
Title I	0	(18,800)
Title VI-R	0	(2,275)
Totals	\$ 44,225	\$ (44,225)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

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 values upon which the fiscal year 2001 taxes were collected were as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$146,122,770	88.82	\$153,812,810	88.50
Public Utility Personal	9,106,390	5.54	9,589,400	5.52
Tangible Personal Property	9,281,852	5.64	10,391,128	5.98
	<u>\$164,511,012</u>	<u>100.00</u>	<u>\$173,793,338</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$42.30		\$42.30

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

The Fairfield County Treasurer collects property tax 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, 2001. 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, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), interfund loans, accrued interest and intergovernmental grants and entitlements (to the extent that such grants and entitlements relate to the current year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal grants.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 7 – RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$4,174,686
Interfund Loan Receivable	44,225
Accrued Interest	5,325
 <u>Special Revenue Funds</u>	
Due From Other Governments	1,025

NOTE 8 – INCOME TAX

The District levies a voted tax of 0.75 percent for general operations on the income of residents of estates. The tax was effective on January 1, 1998 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$1,401,613 was credited to the General fund during fiscal year 2001.

NOTE 9 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during fiscal year 2001:

	Balance July 1, 2000	Increases	Decreases	Balance June 30, 2001
Land/Improvements	\$ 178,765	\$222,165		\$ 400,930
Buildings/Improvements	4,316,571	168,471		4,485,042
Furniture/Equipment	2,261,740	122,565	\$(15,406)	2,368,899
Vehicles	820,723	108,342	(71,200)	857,865
	<u>\$7,577,799</u>	<u>\$621,543</u>	<u>\$(86,606)</u>	<u>\$8,112,736</u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$156,144
Less: Accumulated Depreciation	<u>(123,511)</u>
Net Fixed Assets	<u>\$ 32,633</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of copiers.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

Each lease meets 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 the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the General fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$51,345, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$9,382. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001.

General Long-Term Obligations

Year Ending June 30	Copiers
2002	\$ 13,709
2003	13,709
2004	13,709
2005	<u>1,142</u>
Total Future Minimum Lease Payments	42,269
Less: Amount Representing Interest	<u>(6,115)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 36,154</u>

NOTE 11 - LONG-TERM OBLIGATIONS

General obligation bonds and Energy Conservation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these General obligation bonds are recorded as expenditures in the Debt Service Fund. The General obligation bonds were retired during fiscal year 2001. The Energy Conservation bonds are retired through the General fund through the reductions in energy consumption and cost savings attributed to the installation of energy conservation improvements.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a description of the District's bonds and notes outstanding as of June 30, 2001:

Purpose	Interest Rate	Issue Date	Maturity Date	Original Amount	Balance 07/01/00	Retired in Fiscal 2001	Balance 06/30/01
Construction Bond	7.25%	2/01/85	12/01/00	\$1,700,000	\$85,000	\$85,000	\$ 0
Energy Conservation Bond	6.00%	10/10/94	12/01/04	369,400	219,400	40,000	179,400
Energy Conservation Bond	5.00%	1/15/97	01/01/05	179,250	120,000	20,000	100,000
				<u>\$2,248,650</u>	<u>\$424,400</u>	<u>\$145,000</u>	<u>\$279,400</u>

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

Year Ending June 30	Principal on HB 264 Energy Conservation Note	Interest on HB 264 Energy Conservation Note	Total
2002	\$ 70,000	\$ 13,789	\$ 83,789
2003	70,000	9,839	79,839
2004	70,000	5,889	75,889
2005	69,400	1,957	71,957
Total	<u>\$279,400</u>	<u>\$31,474</u>	<u>\$311,474</u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, and the pension obligation will be paid from the fund from which the employee is paid.

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Compensated Absences	\$ 639,809	\$13,332	\$ (31,821)	\$ 621,320
Pension Obligation Payable	40,441	56,886	(40,441)	56,886
General Obligation Bonds	85,000	0	(85,000)	0
HB 264 Energy Conservation Bonds	339,400	0	(60,000)	279,400
Capital Lease	45,536	0	(9,382)	36,154
TOTAL	<u>\$1,150,186</u>	<u>\$70,218</u>	<u>\$(226,644)</u>	<u>\$ 993,760</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$15,641,400 an unvoted debt margin of \$173,793, and an unvoted energy conservation debt margin of \$1,284,740.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2001, the District contracted with various commercial insurance carriers for the following coverage:

Type of Coverage	Deductible	Coverage Limitations
Building and Contents - replacement cost	\$1,000	\$ 19,964,000
Vehicle Liability	none	2,000,000
Uninsured Motorists	none	300,000
Crime	250	5,000
Boiler and Machinery	1,000	8,873,400
General Liability:		
Per Occurrence	none	1,000,000
Total Per Year		3,000,000

The District has established the Internal Service "Self-Insurance" Fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This Self-Insurance Fund was established for the purpose of accumulating balances sufficient to self-insure basic medical, dental and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General fund, Enterprise fund, and certain Special Revenue funds (grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1997, the District terminated the independent carrier for self-insurance for basic medical and prescription drug coverage and joined the South Central Ohio Insurance Consortium (SCOIC). Effective July 1, 2001 the District pays contributions for dental coverage to the consortium as well.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using the expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$139,931.

A summary of changes in self-insurance claims activity for the past two years as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$ 45,018	\$ 383,934	\$ 396,636	\$ 32,316
2000	32,316	560,310	513,818	78,808
2001	78,808	546,185	485,062	139,931

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

SCOIC currently includes seven members. Contributions are determined by the Consortium's Board of Directors and are remitted monthly to the Consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

Effective July 1, 2001, the Consortium contracted with EV Benefits, Inc. as third party administrator.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

Settled claims have not exceeded this commercial coverage in any of the past three years.

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2001, 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 13 - 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 basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 North Fourth Street, Columbus, Ohio 43215-3634.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$157,937, \$130,494, and \$122,880, respectively; 49.50% has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$75,762, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14 percent; 9.5% 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$625,164, 590,532 and \$524,136, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$104,472, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, no members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of 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 Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$200,946 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability recipients, 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% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll, an increase from 8.45% for fiscal year 2000. 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 2001, 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 healthcare fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 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 \$75,273 during the 2001 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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:

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$ (35,738)	\$ 77,022	\$(222,834)	\$(123,982)
Net Adjustment for Revenue Accruals	(171,643)	1,718	0	0
Net Adjustment for Expenditure Accruals	(161,605)	(6,035)	134,141	(15,561)
Net Adjustment for Other Financing Sources/(Uses)	35,910	(44,229)	(134,141)	0
Adjustment for Encumbrances	<u>278,465</u>	<u>7,298</u>	<u>0</u>	<u>9,704</u>
GAAP Basis	<u>\$ (54,611)</u>	<u>\$ 35,774</u>	<u>\$(222,834)</u>	<u>\$(129,839)</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED
BY GOVERNMENT AUDITING STANDARDS**

Board of Education
Bloom Carroll Local School District
Fairfield County
69 Beaver Street
Carroll, Ohio 43112

To: Board of Education

We have audited the general-purpose financial statements of the Bloom Carroll Local School District, Fairfield County, Ohio (the District) as of and for ended June 30, 2001, and have issued our report thereon dated November 27, 2002. 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 is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated November 27, 2002.

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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 27, 2002.

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This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

November 27, 2002