



**Auditor of State
Betty Montgomery**

**BLOOM CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	21
Statement of Net Assets – Proprietary Fund.....	22
Statement of Revenues, Expenses and Changes in Net Assets –Proprietary Fund.....	23
Statement of Cash Flows – Proprietary Fund.....	24
Statement of Fiduciary Net Assets – Fiduciary Funds.....	25
Statement of Changes in Fiduciary Assets – Fiduciary Fund.....	26
Notes to the Basic Financial Statements.....	27
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	52
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	55
Schedule of Findings.....	57

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bloom Carroll Local School District
Fairfield County
69 S. Beaver St.
P.O. Box 338
Carroll, Ohio 43112

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Bloom Carroll Local School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Bloom Carroll Local School District, Fairfield County, Ohio, as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures 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 basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 11, 2004

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of the Bloom-Carroll Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- < The assets of Bloom-Carroll Local School District exceeded its liabilities at June 30, 2003 by \$5,498,955. Of this amount, \$4,744,436 represents the total of capital assets and related debt and net asset amounts restricted for specific purposes. The remaining \$754,519 represents unrestricted net assets.
- < In total, net assets of governmental activities decreased by \$211,049, which represents a 3.70 percent decrease from 2002.
- < General revenues accounted for \$9,833,784 or 89.51 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,152,580 or 10.49 percent of total revenues of \$10,986,364.
- < The District had \$11,197,413 in expenses related to governmental activities; only \$1,152,580 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$9,833,784 were used to provide for the remainder of these programs.
- < The District recognizes one major governmental fund: the General Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$10,207,327 in revenues and \$10,986,298 in expenditures in fiscal year 2003.

Using this Annual Report

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

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

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

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

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2003 compared to fiscal year 2002:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<u>Assets:</u>		
Current and Other Assets	\$6,920,873	\$7,273,814
Capital Assets, Net	4,816,653	4,445,144
<i>Total Assets</i>	<u>11,737,526</u>	<u>11,718,958</u>
<u>Liabilities:</u>		
Long-Term Liabilities	972,216	1,003,594
Other Liabilities	5,266,355	5,005,360
<i>Total Liabilities</i>	<u>6,238,571</u>	<u>6,008,954</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	4,663,169	4,210,034
Restricted	81,267	86,993
Unrestricted	754,519	1,412,977
<i>Total Net Assets</i>	<u>\$5,498,955</u>	<u>\$5,710,004</u>

Current and other assets decreased \$352,941 from fiscal year 2002 due to a decrease in cash and cash equivalents held by the District. Capital assets increased by \$371,509 due to the purchase of a modular building and equipment for fiscal year 2003.

Current (other) liabilities increased by \$260,995 due to a deferred revenue increase related to property taxes receivable.

Long-term liabilities decreased by \$31,378 due to the retirement of principal on long-term notes and leases.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 84.80 percent of net assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The District's next largest portion of net assets is unrestricted. This accounts for 13.72 percent of net assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$81,267 or 1.48 percent is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities 2003
<i><u>Revenues:</u></i>	
<i>Program Revenue:</i>	
Charges for Services and Sales	\$684,006
Operating Grants and Contributions	363,179
Capital Grants and Contributions	105,395
 <i>General Revenue:</i>	
Property Taxes	4,065,953
Income Taxes	1,477,314
Unrestricted Grants and Entitlements	4,103,965
Investment Earnings	65,416
Miscellaneous	121,136
<i>Total Revenues</i>	<i>10,986,364</i>
 <i><u>Expenses:</u></i>	
<i>Program Expenses:</i>	
<i>Instruction:</i>	
Regular	4,773,618
Special	856,410
Vocational	216,622
Other	314,620

(Continued)

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Table 2
Changes in Net Assets

	2003
<i>Support Services:</i>	
Pupils	533,501
Instructional Staff	587,694
Board of Education	117,745
Administration	1,179,592
Fiscal	139,886
Operation and Maintenance of Plant	948,551
Pupil Transportation	735,665
Central	69,506
 <i>Operation of Non-Instructional Services:</i>	
Food Services	325,473
Extracurricular Activities	387,321
Interest and Fiscal Charges	11,088
<i>Total Expenses</i>	11,197,413
<i>Change in Net Assets</i>	(211,049)
Net Assets – Beginning of Year	5,710,004
Net Assets – End of Year	\$5,498,955

The most significant program expenses for the District are Regular Instruction, Administration, Operation and Maintenance of Plant, Special Instruction, and Pupil Transportation. These programs account for 75.8 percent of the total governmental activities. Regular Instruction, which accounts for 42.63 percent of the total, represents costs associated with providing general educational services. Administration, which represents 10.53 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 8.47 percent of the total, represents costs associated with operating and maintaining the District's facilities. Special Instruction, which represents 7.65 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil Transportation, which represents 6.57 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes, and grants and entitlements not restricted for specific programs. Property taxes, income taxes, and grants and entitlements not restricted for specific programs account for 87.81 percent of total revenues.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes, income taxes, and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 36.86 percent, income taxes made up 13.48 percent, and intergovernmental revenue made up 41.72 percent of the total revenue for our governmental funds in fiscal year 2003.

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

The District voters approved an income tax levy of 0.75 percent. It was passed in fiscal year 1998 and is a continuing tax. This levy generates approximately \$1,500,000 dollars in revenue for general operations.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2003, the District received \$3,480,148 through the State's foundation program, which represents 31.75 percent of the total revenue for the governmental funds. The District relies on this state funding to operate at the current levels of service.

Instruction accounts for 55.02 percent of governmental program expenses. Support services expenses make up 38.51 percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2003. That is, it identifies the net cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
<i>Program Expenses:</i>		
Instruction	\$6,161,270	\$5,608,438
Support Services	4,312,140	4,121,882
Operation of Non-Instructional Services	325,594	16,379
Extracurricular Activities	387,321	287,046
Interest and Fiscal Charges	11,088	11,088
Total Expenses	\$11,197,413	\$10,044,833

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$11,059,679 and expenditures of \$11,775,610.

Total governmental funds fund balance decreased by \$715,931. The decrease in fund balance for the year was most significant in the General Fund, a decrease of \$679,445 reflecting expenditures for general operations exceeding revenue received.

The District should remain stable in fiscal years 2003 through 2006. However, projections beyond fiscal year 2006 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of fiscal year 2003, the District amended its General Fund budget one time. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

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

For the General Fund, the final budget basis revenue was \$10,508,523 representing a \$342,394 increase from the original budget estimates of \$10,166,129. The final budget reflected a 3.37 percent increase from the original budgeted amount. Most of this difference was due to conservative estimates of intergovernmental revenue. For the General Fund, the final budget basis expenditures were \$11,285,314 representing an increase of \$708,042 from the original budget expenditures of \$10,577,272. The final budget reflected a 6.69 percent increase from the original budgeted amount. Most of the difference is due to conservative estimates of resources available for appropriation.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$10.32 million invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, and library books and textbooks, of which all was in governmental activities. That total carries an accumulated depreciation of \$5.50 million. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002.

Table 4
Capital Assets & Accumulated Depreciation at June 30, 2003

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$843,382	\$944,382
<i>Depreciable Capital Assets:</i>		
Land		
Improvements/Infrastructure	1,034,872	1,006,572
Buildings and Improvements	5,378,771	4,988,117
Furniture, Fixtures and Equipment	1,223,681	909,440
Vehicles	1,262,869	1,139,295
Library Books and Textbooks	576,649	576,649
<i>Total Capital Assets</i>	<u>10,320,224</u>	<u>9,564,455</u>
<i>Less Accumulated Depreciation:</i>		
Land		
Improvements/Infrastructure	(546,551)	(513,633)
Buildings and Improvements	(3,418,319)	(3,323,229)
Furniture, Fixtures and Equipment	(366,226)	(300,654)
Vehicles	(763,385)	(668,813)
Library Books and Textbooks	(409,090)	(312,982)
<i>Total Accumulated Depreciation</i>	<u>(5,503,571)</u>	<u>(5,119,311)</u>
Capital Assets, Net	<u>\$4,816,653</u>	<u>\$4,445,144</u>

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

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

Debt Administration

At June 30, 2003, the District had \$153,484 in energy conservation notes and capital leases outstanding with \$82,942 due within one year. Table 5 summarizes notes and capital leases outstanding for fiscal year 2003 compared to fiscal year 2002.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2003	2002
Energy Conservation Note (1994)	\$89,400	\$134,400
Energy Conservation Note (1997)	50,000	75,000
Capital Leases	14,084	25,710
Total	\$153,484	\$235,110

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

Current Issues

Although considered a mid-wealth district, Bloom-Carroll Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is heavily dependent on taxes and intergovernmental revenue. Nearly one-third of the District's funding is received through the State's foundation program, which along with taxes and other various grants and entitlements makes up 92 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning and the passage of an income tax levy have permitted the District to provide a quality education for our students along with renovated facilities for the future.

In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court will have two new Justices beginning in calendar year 2003 and the new court may be called upon to address the issue. On August 14, 2003 the Ohio Coalition for Adequacy and Equity filed petition for a Writ of Certiorari with the United States Supreme Court. On October 20, 2003 the United States Supreme Court declined to review the State's continued operation of a school funding plan declared unconstitutional by the Ohio Supreme Court on four separate occasions. At this time there can be no reasonable estimate of these discussions or their impact on school funding.

As of the date of these financial statements, the District is unable to determine what effect, if any, these decisions will have on its future State funding and on its financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The State Legislature has also made several significant changes impacting local taxes:

In 2003 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

Effective January 1, 2001 non-municipal owned electric utilities and rural cop-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2002 through 2006; after this a phase out formula would begin.

The Bloom-Carroll Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 91 percent of the District's real estate valuation.

Contacting the District's Financial Management

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

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BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,942,778
Property Taxes Receivable	4,300,791
Income Taxes Receivable	602,925
Accounts Receivable	5,379
Intergovernmental Receivable	37,601
Accrued Interest Receivable	5,922
Prepaid Items	15,170
Materials and Supplies Inventory	10,307
Nondepreciable Capital Assets	843,382
Depreciable Capital Assets, Net	3,973,271
	<hr/>
<i>Total Assets</i>	11,737,526
	<hr/>
<u>Liabilities:</u>	
Accounts Payable	89,157
Accrued Wages and Benefits	950,997
Contracts Payable	21,271
Intergovernmental Payable	234,987
Accrued Interest Payable	1,666
Claims Payable	34,149
Deferred Revenue	3,934,128
<i>Long-Term Liabilities:</i>	
Due within One Year	167,720
Due in More Than One Year	804,496
	<hr/>
<i>Total Liabilities</i>	6,238,571
	<hr/>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,663,169
<i>Restricted for:</i>	
<i>Permanent Fund Purpose:</i>	
Expendable	3,616
Nonexpendable	25,000
Other Purposes	52,651
Unrestricted	754,519
	<hr/>
<i>Total Net Assets</i>	\$5,498,955
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See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense)	
	Charges for	Operating	Capital	Revenue and	
Expenses	Services and	Grants and	Grants and	Changes in	
	Sales	Contributions	Contributions	Net Assets	
				Governmental	
				Activities	
<u>Governmental Activities:</u>					
<i>Instruction:</i>					
Regular	\$4,773,618	\$345,614	\$53,943	\$23,330	(\$4,350,731)
Special	856,410	0	129,945	0	(726,465)
Vocational	216,622	0	0	0	(216,622)
Other	314,620	0	0	0	(314,620)
<i>Support Services:</i>					
Pupils	533,501	0	78,204	0	(455,297)
Instructional Staff	587,694	0	29,354	0	(558,340)
Board of Education	117,745	0	0	0	(117,745)
Administration	1,179,592	0	211	0	(1,179,381)
Fiscal	139,886	0	424	0	(139,462)
Operation and Maintenance of Plant	948,551	0	0	0	(948,551)
Pupil Transportation	735,665	0	0	82,065	(653,600)
Central	69,506	0	0	0	(69,506)
<i>Operation of Non-Instructional Services:</i>					
Food Services	325,594	238,117	71,098	0	(16,379)
Extracurricular Activities	387,321	100,275	0	0	(287,046)
Interest and Fiscal Charges	11,088	0	0	0	(11,088)
Total Governmental Activities	\$11,197,413	\$684,006	\$363,179	\$105,395	(10,044,833)

General Revenues:

Property Taxes Levied for:

General Purposes 4,065,953

Income Taxes Levied for:

General Purposes 1,477,314

Grants and Entitlements not Restricted to Specific Programs 4,103,965

Investment Earnings 65,416

Miscellaneous 121,136

Total General Revenues 9,833,784

Change in Net Assets (211,049)

Net Assets at Beginning of Year - As Restated (See Note 3) 5,710,004

Net Assets at End of Year \$5,498,955

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,768,153	\$131,294	\$1,899,447
Property Taxes Receivable	4,300,791	0	4,300,791
Income Taxes Receivable	602,925	0	602,925
Accounts Receivable	5,215	164	5,379
Intergovernmental Receivable	17,156	20,445	37,601
Accrued Interest Receivable	5,922	0	5,922
Prepaid Items	15,170	0	15,170
Materials and Supplies Inventory	0	10,307	10,307
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	27,905	0	27,905
Total Assets	\$6,743,237	\$162,210	\$6,905,447
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$73,290	\$15,867	\$89,157
Accrued Wages and Benefits	893,330	57,667	950,997
Contracts Payable	21,271	0	21,271
Intergovernmental Payable	152,784	2,751	155,535
Deferred Revenue	4,119,919	0	4,119,919
Compensated Absences Payable	40,485	0	40,485
Total Liabilities	5,301,079	76,285	5,377,364
<u>Fund Balances:</u>			
Reserved for Encumbrances	12,149	10,685	22,834
Reserved for Property Taxes	180,872	0	180,872
Reserved for Prepaids	15,170	0	15,170
Reserved for Endowment	0	25,000	25,000
Reserved for Budget Stabilization	27,905	0	27,905
<u>Unreserved, Undesignated, Reported in:</u>			
General Fund	1,206,062	0	1,206,062
Special Revenue Funds	0	44,701	44,701
Capital Projects Funds	0	1,923	1,923
Permanent Fund	0	3,616	3,616
Total Fund Balances	1,442,158	85,925	1,528,083
Total Liabilities and Fund Balances	\$6,743,237	\$162,210	\$6,905,447

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Funds Balances	\$1,528,083
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,816,653
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:	
Property taxes	185,791
Intergovernmental payables include contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(79,452)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Energy conservation notes	(139,400)
Accrued interest on notes and bonds	(1,666)
Capital leases	(14,084)
Compensated absences	<u>(778,247)</u>
Total liabilities that are not reported in the funds	(933,397)
An internal service fund is used by management to share the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>(18,723)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,498,955</u></u>

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$4,039,742	\$0	\$4,039,742
Income Taxes	1,477,314	0	1,477,314
Intergovernmental	4,186,030	386,509	4,572,539
Interest	64,462	954	65,416
Tuition and Fees	345,614	0	345,614
Extracurricular Activities	0	100,275	100,275
Charges for Services	0	238,117	238,117
Miscellaneous	94,165	26,971	121,136
Total Revenues	10,207,327	752,826	10,960,153
<u>Expenditures:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	4,725,039	89,028	4,814,067
Special	698,578	155,173	853,751
Vocational	209,203	0	209,203
Other	314,620	0	314,620
<i>Support Services:</i>			
Pupils	455,074	81,603	536,677
Instructional Staff	492,957	30,716	523,673
Board of Education	117,884	0	117,884
Administration	1,201,256	248	1,201,504
Fiscal	140,146	501	140,647
Operation and Maintenance of Plant	1,092,445	0	1,092,445
Pupil Transportation	771,780	0	771,780
Central	69,506	0	69,506
Operation of Non-Instructional Services	0	300,051	300,051
Extracurricular Activities	386,076	131,992	518,068
Capital Outlay	218,186	0	218,186
<i>Debt Service:</i>			
Principal Retirement	81,626	0	81,626
Interest and Fiscal Charges	11,922	0	11,922
Total Expenditures	10,986,298	789,312	11,775,610
Excess of Revenues Over (Under) Expenditures	(778,971)	(36,486)	(815,457)
<u>Other Financing Sources:</u>			
Proceeds from the Sale of Capital Assets	99,526	0	99,526
Total Other Financing Sources	99,526	0	99,526
Net Change in Fund Balances	(679,445)	(36,486)	(715,931)
Fund Balances at Beginning of Year - As Restated (See Note 3)	2,121,603	122,411	2,244,014
Fund Balances at End of Year	\$1,442,158	\$85,925	\$1,528,083

See accompanying notes to the basic financial statements and accountant's report.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$715,931)

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

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

472,509

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(101,000)

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

Property taxes

26,211

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

70,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

834

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in capital leases

11,626

Increase in compensated absences

(50,111)

Increase in intergovernmental payables

(17,820)

Total expenditures not reported in the funds

(56,305)

An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.

92,633

Change in Net Assets of Governmental Activities

(\$211,049)

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,077,740	\$4,102,457	\$4,062,949	(\$39,508)
Income Taxes	1,553,441	1,553,441	1,475,301	(78,140)
Intergovernmental	3,916,481	4,190,695	4,186,030	(4,665)
Interest	138,000	98,663	82,031	(16,632)
Tuition and Fees	319,456	344,456	345,614	1,158
Miscellaneous	33,918	90,718	73,321	(17,397)
Total Revenues	10,039,036	10,380,430	10,225,246	(155,184)
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,880,203	4,817,864	4,677,045	140,819
Special	644,962	787,842	733,703	54,139
Vocational	210,025	219,926	213,048	6,878
Other	177,066	321,466	314,620	6,846
<i>Support Services:</i>				
Pupils	418,838	452,714	440,281	12,433
Instructional Staff	426,286	482,316	468,034	14,282
Board of Education	88,955	147,192	139,887	7,305
Administration	1,282,473	1,270,568	1,249,284	21,284
Fiscal	139,465	146,621	143,165	3,456
Operation and Maintenance of Plant	983,104	1,096,237	1,095,394	843
Pupil Transportation	713,874	794,869	770,258	24,611
Central	49,229	72,985	70,200	2,785
Extracurricular Activities	252,237	376,689	388,278	(11,589)
Capital Outlay	230,716	218,186	218,186	0
<i>Debt Service:</i>				
Principal Retirement	70,000	70,000	70,000	0
Interest and Fiscal Charges	9,839	9,839	9,839	0
Total Expenditures	10,577,272	11,285,314	11,001,222	284,092
Excess of Revenues Over (Under) Expenditures	(538,236)	(904,884)	(775,976)	128,908
<u>Other Financing Sources:</u>				
Proceeds from the Sale of Capital Assets	95,093	96,093	99,526	3,433
Advances In	32,000	32,000	32,000	0
Total Other Financing Sources	127,093	128,093	131,526	3,433
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(411,143)	(776,791)	(644,450)	132,341
Fund Balance at Beginning of Year	2,328,979	2,328,979	2,328,979	0
Prior Year Encumbrances Appropriated	77,918	77,918	77,918	0
Fund Balance at End of Year	\$1,995,754	\$1,630,106	\$1,762,447	\$132,341

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2003

Governmental
Activities

Internal
Service

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents

\$15,426

Liabilities:

Current Liabilities:

Claims Payable

34,149

Net Assets:

Unrestricted (Deficit)

(\$18,723)

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2003*

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$749,147
<u>Operating Expenses:</u>	
Purchased Services	17,401
Claims	639,113
<i>Total Operating Expenses</i>	656,514
<i>Change in Net Assets</i>	92,633
<i>Net Assets (Deficit) at Beginning of Year - As Restated (See Note 3)</i>	(111,356)
<i>Net Assets (Deficit) at End of Year</i>	(\$18,723)

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2003

	Governmental Activities
	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$749,147
Cash Payments for Goods and Services	(17,563)
Cash Payments for Claims	(733,564)
<i>Net Cash from Operating Activities</i>	(1,980)
<i>Net Decrease in Cash and Cash Equivalents</i>	(1,980)
<i>Cash and Cash Equivalents Beginning of Year</i>	17,406
<i>Cash and Cash Equivalents End of Year</i>	\$15,426
 <u>Reconciliation of Operating Income</u>	
<u>to Net Cash from Operating Activities:</u>	
Operating Income	\$92,633
 <u>Adjustments to Reconcile Operating Income</u>	
<u>to Net Cash from Operating Activities:</u>	
<i>Decrease in Liabilities:</i>	
Accounts Payable	(162)
Claims Payable	(94,451)
Total Adjustments	(94,613)
<i>Net Cash from Operating Activities</i>	(\$1,980)

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,088	\$28,475
<u>Liabilities:</u>		
Accounts Payable	61	0
Due to Students	0	28,475
	61	28,475
<i>Total Liabilities</i>		
<u>Net Assets:</u>		
<i>Held in Trust for:</i>		
Other Individuals and Organizations	\$1,027	\$0

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Statement of Change in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Gifts and Donations	\$1,593
<u>Deductions:</u>	
Extracurricular Activities	<u>1,251</u>
<i>Change in Net Assets</i>	342
<i>Net Assets at Beginning of Year</i>	<u>685</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,027</u></u>

See accompanying notes to the basic financial statements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The District is located in Fairfield County, and the Village of Carroll, Ohio. It is staffed by 54 non-certificated employees, 112 (including administrative) full-time and part-time employees who provide services to 1,464 students in grades K through 12 and various community groups, which ranks it 380 out of approximately 705 public and community school districts in Ohio. The District currently operates 4 instructional buildings.

Reporting Entity

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

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

The District is associated with four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Metropolitan Educational Council, the South Central Ohio Insurance Consortium, Central Ohio Special Education Regional Resource Center and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Proprietary Fund

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

Revenues - Exchange and Nonexchange Transactions(Continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

During the fiscal year 2003, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$64,462, which includes \$5,276 assigned from other District funds.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

E. Cash and Cash Equivalents (Continued)

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

F. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set-aside by the District to create a reserve for textbooks, capital improvements and budget stabilization. See Note 17 for additional information regarding set-asides.

I. Capital Assets

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

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

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements/ Infrastructure	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years
Library Books and Textbooks	6 years

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term notes and capital leases are recognized as a liability on the fund financial statements when due.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

L. Net Assets

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

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

M. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, prepaids, endowment and budget stabilization.

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

N. Operating Revenues and Expenses

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

O. Interfund Transactions

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

P. Estimates

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

Q. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

Changes in Accounting Principles

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements present the District's programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - (Continued)

Restatement of Fund Balances

The restatements for fund reclassifications, the reclassification of accrued interest revenue and GASB Statement No. 34 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$2,121,603	\$90,210	\$2,211,813
Fund Reclassifications	0	25,271	25,271
Reclassification of Deferred Revenue	0	6,930	6,930
Adjusted Fund Balances, June 30, 2002	<u>\$2,121,603</u>	<u>\$122,411</u>	2,244,014
<i>GASB 34 Adjustments:</i>			
Property Taxes Receivable			159,580
Capital Assets			4,445,144
Accrued Interest Payable			(2,500)
Intergovernmental Payable			(61,632)
<i>Long-Term Obligations:</i>			
Compensated Absences Payable			(728,136)
Capital Leases Payable			(25,710)
Energy Conservation Notes			(209,400)
Internal Service Fund			<u>(111,356)</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$5,710,004</u>

The restatement for the increase in insurance claims had the following effect on accumulated deficit/net assets of the Internal Service Fund of the District as previously reported.

	<u>Internal Service</u>
Accumulated Deficit, June 30, 2002	(\$95,225)
Increase in Insurance Claims Payable	<u>(16,131)</u>
Adjusted Net Assets, June 30, 2002	<u>(\$111,356)</u>

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The following funds had deficit fund balances/retained earnings as of June 30, 2003:

<i>Nonmajor Special Revenue Funds:</i>	
Title VI-B	\$18,077
Title I	10,438
Title VI-R	3,721
<i>Internal Service Fund:</i>	
Self Insurance	18,723

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

Compliance

The following funds had expenditures plus encumbrances that exceeded the appropriations at the fund level, which is the legal level of budgetary control adopted by the Board of Education for these funds.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Nonmajor Special Revenue Funds:</i>			
Title VI-B	\$140,628	\$166,355	(\$25,727)
Title I	83,260	117,227	(33,967)
Summer Intervention (148)	4,947	5,095	
Title VI-R (8,000)	26,190	34,190	
Internal Service Fund (1,721)	749,406	751,127	

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$679,445)
<i>Adjustments:</i>	
Revenue Accruals	17,525
Expenditure Accruals	(48,535)
Encumbrances	34,005
Other Sources (Uses)	32,000
Budget Basis	<u>(\$644,450)</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value 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 Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests 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.

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 fiscal year-end, the carrying amount of the District's deposits was \$1,711,215, and the bank balance was \$1,765,610. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,565,610 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the District's name and all State statutory requirements for the investments of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal 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 which 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 counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAROhio	\$261,126	\$261,126
Totals	\$261,126	\$261,126

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$1,972,341	\$0
<i>Investments:</i>		
STAROhio	(261,126)	261,126
GASB Statement No. 3	\$1,711,215	\$261,126

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES - (Continued)

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2003 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2003 was \$180,872 and is recognized as revenue in the General Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second-Half Collections		2003 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$186,760,790	92.12%	\$194,037,190	90.91%
Public Utility Personal	8,473,550	4.18%	8,589,250	4.02%
Tangible Personal Property	7,512,760	3.70%	10,812,948	5.07%
Total Assessed Value	<u>\$202,747,100</u>	<u>100.00%</u>	<u>\$213,439,388</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.30		\$42.30	

NOTE 8 - INCOME TAXES

The District levies a voted tax of 0.75 percent for general operations on the income of residents. 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 \$1,477,314 was credited to the General Fund during fiscal year 2003.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2003 consisted of property taxes, accounts (student fees), interfund, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 9 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
<i>General Fund:</i>	
County Reimbursements for Substitute Teachers	\$17,156
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	5,445
Miscellaneous State Grants	15,000
Total Nonmajor Special Revenue Funds	20,445
Total Intergovernmental Receivables	<u>\$37,601</u>

NOTE 10 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2003 was as follows:

Asset Category	Balance at July 1, 2002	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2003
<i>Nondepreciable Capital Assets:</i>				
Land	\$944,382	\$0	(\$101,000)	\$843,382
<i>Depreciable Capital Assets:</i>				
Land Improvements/Infrastructure	1,006,572	28,300	0	1,034,872
Buildings and Improvements	4,988,117	390,654	0	5,378,771
Furniture, Fixtures and Equipment	909,440	326,750	(12,509)	1,223,681
Vehicles	1,139,295	123,574	0	1,262,869
Library Books and Textbooks	576,649	0	0	576,649
Total Depreciable Capital Assets	<u>8,620,073</u>	<u>869,278</u>	<u>(12,509)</u>	<u>9,476,842</u>
Total Capital Assets	<u>9,564,455</u>	<u>869,278</u>	<u>(113,509)</u>	<u>10,320,224</u>
<i>Accumulated Depreciation:</i>				
Land Improvements/Infrastructure	(513,633)	(32,918)	0	(546,551)
Buildings and Improvements	(3,323,229)	(95,090)	0	(3,418,319)
Furniture, Fixtures and Equipment	(300,654)	(78,081)	12,509	(366,226)
Vehicles	(668,813)	(94,572)	0	(763,385)
Library Books and Textbooks	(312,982)	(96,108)	0	(409,090)
Total Accumulated Depreciation	<u>(5,119,311)</u>	<u>(396,769)</u>	<u>12,509</u>	<u>(5,503,571)</u>
Total Net Capital Assets	<u>\$4,445,144</u>	<u>\$472,509</u>	<u>(\$101,000)</u>	<u>\$4,816,653</u>

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$163,552
Vocational	6,486
<i>Support Services:</i>	
Pupils	278
Instructional Staff	82,198
Operation and Maintenance of Plant	4,025
Pupil Transportation	94,774
Operation of Non-Instructional Services	9,778
Extracurricular Activities	35,678
Total Depreciation Expense	<u>\$396,769</u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the District contracted with Indiana Insurance for professional and general liability insurance and fleet insurance. The District contracted with Harcum-Hyre for property insurance. Coverages provided are as follows:

Building and Contents (\$10,000 deductible)	\$21,170,551
<i>Automobile Liability:</i> (\$1,000 deductible for collision and comprehensive) Each Accident	1,000,000
Aggregate Limit per Year	3,000,000
Uninsured Motorist	50,000
<i>Professional and General Liability:</i> Each Occurrence	1,000,000
Aggregate Limit per Year	3,000,000
<i>Public Officials Bonds:</i> Treasurer	50,000
Superintendent	50,000
Board President	50,000
Public Employee Dishonesty	25,000

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

The District provides medical, prescription and dental insurance for its employees with a self-insured program through the South Central Ohio Insurance Consortium. Premiums are paid directly to a third party administrator, EV Benefits, out of the District's Self Insurance Internal Service Fund. EV Benefits services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees' salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs. An excess coverage insurance policy covers individual claims in excess of a predetermined level.

The claims liability of \$34,149 reported at June 30, 2003 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$139,931	\$658,800	\$670,131	\$128,600
2003	128,600	639,113	733,564	34,149

NOTE 12 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The adequacy of the contribution rates is determined annually. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$108,208, \$81,004, and \$45,004, respectively; 50.00 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$54,104 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

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 stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$684,199, \$467,465, and \$424,218, respectively; 82.87 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$115,340 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

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, 2003, no members of the Board of Education have elected Social Security.

NOTE 13 - 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-certificated 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 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 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$52,630 during fiscal year 2003.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. For fiscal year ended June 30, 2003, net health care cost paid by SERS were \$204,830,737 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. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$94,860 during the 2003 fiscal year.

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for aides and 220 for all other classified employees and 260 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days for aides and 55 days for all other classified employees and 65 days for certified employees.

Life Insurance

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

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

During the year, the District did not enter into any new capital leases. The District does have one capital lease outstanding from prior years. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as General Fund expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the amount of \$51,345 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded by the District. Principal payments in fiscal year 2003 totaled \$11,626.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003:

Fiscal Year Ending June 30,	Capital Lease Payments
2004	\$13,709
2005	1,142
Total Future Minimum Lease Payments	14,851
Less: Amount Representing Interest	(767)
Present Value of Future Minimum Lease Payments	\$14,084

NOTE 16 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2003 were as follows:

	Issue Date	Interest Rate	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003	Amount Due in One Year
Governmental Activities:							
Energy Conservation Note	1994	6.00%	\$134,400	\$0	\$45,000	\$89,400	\$45,000
Energy Conservation Note	1997	5.00%	75,000	0	25,000	50,000	25,000
Capital Leases			25,710	0	11,626	14,084	12,942
Compensated Absences			768,484	50,248	0	818,732	84,778
Total Governmental Activities Long-Term Liabilities			\$1,003,594	\$50,248	\$81,626	\$972,216	\$167,720

Energy Conservation Note - On October 10, 1994, Bloom-Carroll Local School District issued a \$369,400 unvoted general obligation note for the purpose of installing energy conservation improvements for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The note was issued for a ten year period with final maturity at December 1, 2004. This debt is retired through the General Fund through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements.

Energy Conservation Note - On January 15, 1997, Bloom-Carroll Local School District issued a \$179,250 unvoted general obligation note for the purpose of installing energy conservation improvements for the District, under the authority of Ohio Revised Code Sections 133.06(g) and 3313.372. The note was issued for an eight year period with final maturity at January 1, 2005. This debt is retired through the General Fund through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 16 - LONG-TERM LIABILITIES - (Continued)

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

The District's overall legal debt margin is \$19,209,545, the unvoted debt margin is \$213,439 and the unvoted energy conservation debt margin is \$1,781,554 at June 30, 2003.

The annual requirements to retire the energy conservation notes outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$70,000	\$5,889	\$75,889
2005	69,400	1,957	71,357
Total	<u>\$139,400</u>	<u>\$7,846</u>	<u>\$147,246</u>

NOTE 17 - STATUTORY SET-ASIDES

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2003:

	Textbooks	Capital Improvements	Budget Stabilization	Totals
Set-Aside Balance as of July 1, 2002	\$34,863	\$0	\$27,905	\$62,768
Current Year Set-Aside Requirement	204,152	204,152	0	408,304
Qualifying Disbursements	(321,025)	(653,080)	0	(974,105)
Total	<u>(82,010)</u>	<u>(448,928)</u>	<u>27,905</u>	<u>(503,033)</u>
Set-Aside Balance as of June 30, 2003	\$0	\$0	\$27,905	
Total Restricted Assets				<u>\$27,905</u>

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

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

BLOOM-CARROLL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Council (MEC)

MEC is a jointly governed organization among school districts in Franklin, Fairfield, Madison, Pickaway and Union counties. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, the administrative and instructional functions among member districts. Each of the member districts support MEC based upon a per pupil charge, dependent upon services utilized. The governing board consists of a representative from each Franklin County district. Districts outside of Franklin County are associate members and each County selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District paid \$121,930 to MEC for services provided during 2003. In accordance with GASB Statement No. 14, the District does not have any equity interest in MEC because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to any equity interest.

South Central Ohio Insurance Consortium (SCOIC)

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

Central Ohio Special Education Resource Center

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

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool established in Section 4123.39 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.

BLOOM-CARROLL LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 20 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 adverse effect on the overall financial position of the District at June 30, 2003.

Litigation

The District is party to a legal proceeding. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the District's financial position.

NOTE 21 - SCHOOL FUNDING

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

**BLOOM CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$0	\$30,867	\$0	\$30,867
National School Lunch Program	LLP4-2002 LLP4-2003	10.555	33,937	0	33,937	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE-NUTRITION CLUSTER			33,937	30,867	33,937	30,867
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	6B-SF-2002 6B-SF-2003-P	84.027 84.027	1,440 122,351	0 0	18,277 122,054	0 0
Total Special Education Grants to States			123,791		140,331	0
Title 1-Grants to Local Educational Agencies	C1-S1-2002 C1-S1-2003	84.010 84.010	0 63,705	0 0	17,833 75,394	0 0
Total Title 1- Grants to Local Educational Agencies			63,705	0	93,227	0
Safe and Drug-Free Schools and Communities	DR-S1-2003	84.186	4,840	0	4,840	0
Eisenhower Professional Development State Grants	MS-S1-2001-C MS-S1-2002	84.281 84.281	0 583	0 0	1,925 1,564	0 0
Total Eisenhower Professional Development State Grants			583	0	3,489	0
Innovative Educational Program Strategies	CS-S1-2002 C2-S1-2003	84.298 84.298	0 7,731	0 0	4,257 1,773	0 0
Total Innovative Educational Program Strategies			7,731	0	6,030	0
Education Technology State Grant	TJ-S1-2003	84.318	1,744	0	1,744	0
Class-Size Reduction	CR-S1-2002	84.340	0	0	5,692	0
School Renovation Grant	ATS3-2003	84.352	2,278	0	1,954	0
Improving Teacher Quality State Grants	TR-S1-2003	84.367	37,879	0	26,190	0
TOTAL U.S. DEPARTMENT OF EDUCATION			\$242,551	\$0	\$283,497	\$0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$276,488	\$30,867	\$317,434	\$30,867

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

**BLOOM CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and 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 – CHILD NUTRITION CLUSTER

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

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



**Auditor of State
Betty Montgomery**

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

Bloom Carroll Local School District
Fairfield County
69 S. Beaver St.
P.O. Box 338
Carroll, Ohio 43112

To the Board of Education:

We have audited the basic financial statements of the Bloom Carroll Local School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 11, 2004, wherein we noted the District adopted *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted by 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 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 11, 2004.

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.

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www.auditor.state.oh.us

However, we noted certain 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 March 11, 2004.

This report is intended solely for the information and use of management, the 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". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 11, 2004



Auditor of State Betty Montgomery

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

Bloom Carroll Local School District
Fairfield County
69 S. Beaver St.
P.O. Box 338
Carroll, Ohio 43112

To the Board of Education:

We have audited the compliance of the Bloom Carroll Local School District, Fairfield County, Ohio, (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 each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are 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 the major federal programs 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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs 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.

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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 solely for the information and use of management, the 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". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 11, 2004

**BLOOM CARROLL LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States - CFDA 84.027 Nutrition Cluster – (Food Donation 10.550 and National School Lunch Program – CFDA 10.555)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**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.

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**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

BLOOM CARROLL LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2004**