



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bloomfield-Mespo Local School District, Trumbull County, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bloomfield-Mespo Local School District, Trumbull County, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Title I Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

July 20, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of the Bloomfield-Mespo Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$155,771 which represents a 12.52% decrease from 2005.
- General revenues accounted for \$2,684,345 in revenue or 72.97% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$994,496 or 27.03% of total revenues of \$3,678,841.
- The District had \$3,834,612 in expenses related to governmental activities; \$994,496 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$2,684,345 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the Title I fund. The general fund had \$2,828,274 in revenues and other financing sources and \$2,796,829 in expenditures. During fiscal year 2006, the general fund's fund balance increased \$31,445 from \$316,635 to \$348,080.
- The Title I fund had \$357,512 in revenues and \$365,486 in expenditures. During fiscal 2006, the Title I fund's fund balance decreased \$7,974 from \$36,046 to \$28,072.

Using the Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. 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 major governmental funds are the general fund and Title I fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-44 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 2,216,180	\$ 2,297,797
Capital assets	<u>601,128</u>	<u>661,323</u>
Total assets	<u>2,817,308</u>	<u>2,959,120</u>
<u>Liabilities</u>		
Current liabilities	1,457,300	1,448,201
Long-term liabilities	<u>271,573</u>	<u>266,713</u>
Total liabilities	<u>1,728,873</u>	<u>1,714,914</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	580,686	628,549
Restricted	316,965	348,870
Unrestricted	<u>190,784</u>	<u>266,787</u>
Total net assets	<u>\$ 1,088,435</u>	<u>\$ 1,244,206</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$1,088,435. Of this total, \$190,784 is unrestricted in use.

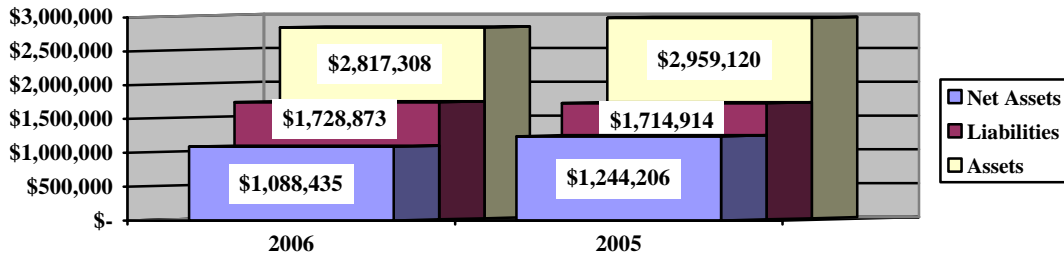
At year-end, capital assets represented 21.34% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$580,686. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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A portion of the District's net assets, \$316,965, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$190,784 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 341,639	\$ 391,366
Operating grants and contributions	652,857	766,227
General revenues:		
Property taxes	1,043,578	1,089,298
Grants and entitlements	1,532,494	1,575,933
Investment earnings	30,336	12,554
Other	77,937	45,736
Total revenues	3,678,841	3,881,114

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 1,624,813	\$ 1,577,971
Special	432,059	414,156
Vocational	57,236	56,579
Other	9,321	-
Support services:		
Pupil	139,989	140,071
Instructional staff	235,638	138,147
Board of education	26,171	30,388
Administration	338,235	359,173
Fiscal	193,487	174,361
Business	-	1,200
Operations and maintenance	320,612	279,448
Pupil transportation	220,430	211,800
Central	6,000	7,803
Operation of non-instructional services:		
Food service operations	127,954	105,113
Other non-instructional services	341	72
Extracurricular activities	100,150	85,223
Interest and fiscal charges	<u>2,176</u>	<u>3,121</u>
Total expenses	<u>3,834,612</u>	<u>3,584,626</u>
Change in net assets	(155,771)	296,488
Net assets at beginning of year	<u>1,244,206</u>	<u>947,718</u>
Net assets at end of year	<u>\$ 1,088,435</u>	<u>\$ 1,244,206</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$155,771. Total governmental expenses of \$3,834,612 were offset by program revenues of \$994,496 and general revenues of \$2,684,345. Program revenues supported 25.93% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 70.02% of total governmental revenue.

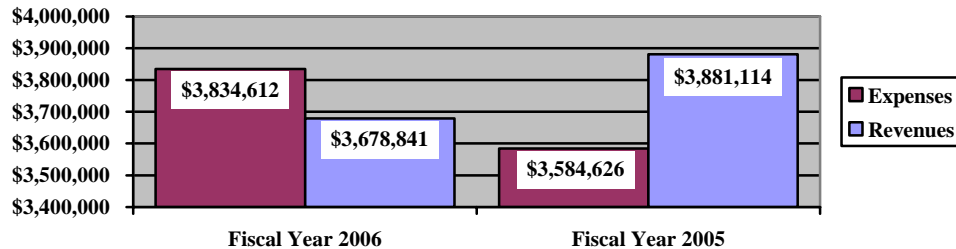
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,123,429 or 55.38% of total governmental expenses for fiscal 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 1,624,813	\$ 1,284,947	\$ 1,577,971	\$ 1,155,553
Special	432,059	125,085	414,156	(20,341)
Vocational	57,236	57,236	56,579	56,579
Other	9,321	-	-	-
Support services:				
Pupil	139,989	134,743	140,071	132,148
Instructional staff	235,638	103,460	138,147	49,050
Board of education	26,171	24,286	30,388	30,388
Administration	338,235	320,521	359,173	321,631
Fiscal	193,487	193,487	174,361	174,361
Business	-	-	1,200	1,200
Operations and maintenance	320,612	314,161	279,448	275,146
Pupil transportation	220,430	220,430	211,800	207,749
Central	6,000	-	7,803	1,803
Operations of non-instructional services:				
Food service operations	127,954	7,766	105,113	(12,825)
Other non-instructional services	341	341	72	72
Extracurricular activities	100,150	51,477	85,223	51,398
Interest and fiscal charges	2,176	2,176	3,121	3,121
Total expenses	<u>\$ 3,834,612</u>	<u>\$ 2,840,116</u>	<u>\$ 3,584,626</u>	<u>\$ 2,427,033</u>

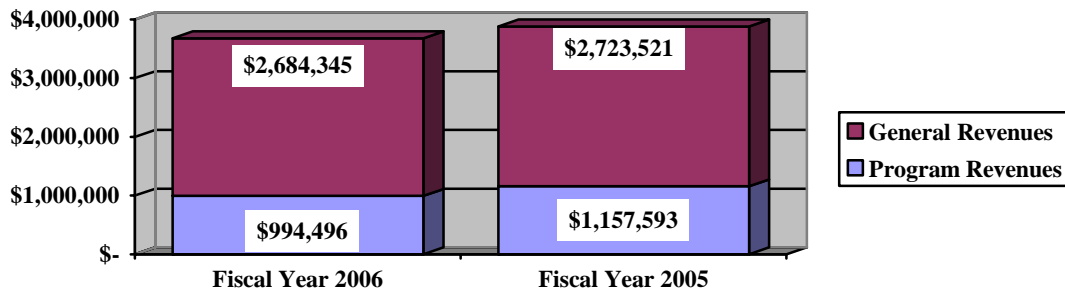
**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 69.10% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.07%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$486,163, which is greater than last year's total of \$480,771. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 348,080	\$ 316,635	\$ 31,445	9.93 %
Title I	28,072	36,046	(7,974)	(22.12) %
Other Governmental	<u>110,011</u>	<u>128,090</u>	<u>(18,079)</u>	(14.11) %
Total	<u>\$ 486,163</u>	<u>\$ 480,771</u>	<u>\$ 5,392</u>	1.12 %

General Fund

The District's general fund balance increased \$31,445. The increase in fund balance can be attributed to several items related to increasing revenues still outpacing decreased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 959,782	\$ 929,397	\$ 30,385	3.27 %
Tuition	237,963	252,222	(14,259)	(5.65) %
Earnings on investments	28,398	11,634	16,764	144.09 %
Classroom materials and fees	3,533	3,067	466	15.19 %
Intergovernmental	1,513,551	1,575,933	(62,382)	(3.96) %
Other revenues	<u>85,026</u>	<u>100,930</u>	<u>(15,904)</u>	(15.76) %
Total	<u>\$ 2,828,253</u>	<u>\$ 2,873,183</u>	<u>\$ (44,930)</u>	(1.56) %
<u>Expenditures</u>				
Instruction	\$ 1,475,271	\$ 1,429,045	\$ 46,226	3.23 %
Support services	1,255,457	1,205,698	49,759	4.13 %
Non-instructional services	341	72	269	373.61 %
Extracurricular activities	51,252	52,569	(1,317)	(2.51) %
Debt service	<u>14,508</u>	<u>14,508</u>	<u>-</u>	- %
Total	<u>\$ 2,796,829</u>	<u>\$ 2,701,892</u>	<u>\$ 94,937</u>	3.51 %

Taxes increased \$30,385 or 3.27% due to collection of more taxes during the fiscal year. Intergovernmental revenues decreased \$62,382 or 3.96% due to a decrease in the number of grants the District received during 2006. Other revenues decreased \$15,904 or 15.76% from the prior year. This decrease is attributed to a decrease in the amount of rental income the District received in 2006. The increase in investment income is due to increasing interest rates throughout the year. Instruction and support service expenditures increased \$46,226 and \$49,759 respectively, or 3.23% and 4.13% respectively. These increases are due to increasing wages and benefits.

Title I Fund

The District's Title I fund's fund balance decreased by \$7,974. The decrease in fund balance can be attributed to increasing expenditures outpacing increased revenues.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$2,869,150 and final budgeted revenues and other financing sources were \$2,787,735. Actual revenues and other financing sources for fiscal 2006 was \$2,830,655. This represents a \$42,920 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$3,189,710 were increased to \$3,214,710 in the final budget. The actual budget basis expenditures for fiscal year 2006 totaled \$2,962,420, which was \$252,290 less than the final budget appropriations and other financing uses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$601,128 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 15,000	\$ 15,000
Land improvements	16,536	17,550
Building and improvements	455,345	486,053
Furniture and equipment	51,433	64,306
Vehicles	62,814	78,414
Total	\$ 601,128	\$ 661,323

The overall decrease in capital assets of \$60,195 is due to depreciation expense of \$71,830 exceeding capital outlays of \$11,635 in the fiscal year.

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

Debt Administration

At June 30, 2006, the District had \$20,422 in capital lease obligations outstanding. Of this total, \$13,355 is due within one year and \$7,067 is due within greater than one year. The following table summarizes the lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Capital lease obligations	\$ 20,422	\$ 32,774
Total	\$ 20,422	\$ 32,774

At June 30, 2006, the District's overall legal debt margin was \$4,574,258, and an unvoted debt margin of \$50,825.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Current Financial Related Activities

The District faces many challenges in the future. The District is continuing to undergo the Ohio Environmental Protection Agency's arsenic remediation mandate for the high school. We have just completed a mandatory pilot study that is needed to help determine the best technology for our situation. The Ohio EPA standards have to be met and we started the process in December 2004 with a water flow meter. Information from this was used to help make decisions regarding the best technology to resolve our situation. Plans were submitted to the EPA for their approval. These plans were rejected. A new general plan has been drawn up based on the information gathered from the pilot study and will be reviewed by the EPA in the near future. This will tell us which technology solution we must use. Depending on which solution is approved, the potential exists that our septic system will also have to meet the Ohio EPA guidelines to ensure proper runoff. The potential cost for the septic system may be in excess of \$100,000. Whether or not the approved arsenic remediation technology impacts the septic system, the EPA is mandating improvements to the septic systems of both our Bloomfield and Mespo buildings.

In 2000 and 2003 we purchased new buses for our fleet. We will be receiving a new bus in late October 2006. The state's bus funding has been reduced each year. Our fleet consists of six buses, four active and two spares. The active buses are one 1990, one 1993, one 2000, and one 2003, and the spare bus is a 1990. The state funding went from \$17,200 in 2001 to \$5,500 in 2004. The state funding will be the same as last year or less according to the Ohio Department of Education's Transportation Department. Buses should be replaced every six years.

Our buildings are 80 to 90 years old and require continual upkeep in order to make them safe and conducive to the educational process. We have put a three mill Permanent Improvement Levy on the ballot for November 7, 2006 which, if passed, will generate approximately \$152,000. We do not have a permanent improvement levy at this time and pay for all transportation and building improvements from the general and emergency levy funds. The permanent improvement levy will provide the District with opportunities that will help us go forward in the future with various programs that promote academic excellence.

We have installed door bells and an electronic buzzer in the high school in order to help us maintain security. All doors are locked during the school day. The elementary school already has an intercom and buzzer system installed in the main building and an additional one has been added to the Title unit.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Bill Daugherty, Treasurer, 2077 Park Road W, North Bloomfield, Ohio 44450-9730.

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 779,400
Receivables:	
Taxes	1,182,319
Accounts	921
Intergovernmental	248,213
Prepayments	4,336
Materials and supplies inventory	991
Capital assets:	
Land	15,000
Depreciable capital assets, net	586,128
Capital assets, net.	601,128
 Total assets.	 2,817,308
Liabilities:	
Accounts payable.	8,736
Accrued wages and benefits	209,205
Pension obligation payable.	78,694
Intergovernmental payable	18,899
Deferred revenue	1,141,766
Long-term liabilities:	
Due within one year.	73,661
Due within more than one year	197,912
Total liabilities	1,728,873
Net Assets:	
Invested in capital assets, net of related debt.	580,686
Restricted for:	
State funded programs	3,223
Federally funded programs	224,255
Student activities	27,524
Other purposes	61,963
Unrestricted.	190,784
Total net assets	\$ 1,088,435

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,624,813	\$ 252,209	\$ 87,657	\$ (1,284,947)
Special	432,059	-	306,974	(125,085)
Vocational	57,236	-	-	(57,236)
Other	9,321	-	9,321	-
Support services:				
Pupil	139,989	-	5,246	(134,743)
Instructional staff	235,638	-	132,178	(103,460)
Board of education	26,171	-	1,885	(24,286)
Administration	338,235	-	17,714	(320,521)
Fiscal	193,487	-	-	(193,487)
Operations and maintenance	320,612	-	6,451	(314,161)
Pupil transportation	220,430	-	-	(220,430)
Central	6,000	-	6,000	-
Operation of non-instructional services:				
Food service operations	127,954	40,757	79,431	(7,766)
Other non-instructional services	341	-	-	(341)
Extracurricular activities	100,150	48,673	-	(51,477)
Interest and fiscal charges	2,176	-	-	(2,176)
Total governmental activities	\$ 3,834,612	\$ 341,639	\$ 652,857	(2,840,116)
General Revenues:				
Property taxes levied for:				
General purposes				888,992
Special revenue				154,586
Grants and entitlements not restricted to specific programs				1,532,494
Investment earnings				30,336
Miscellaneous				77,937
Total general revenues				2,684,345
Change in net assets				(155,771)
Net assets at beginning of year				1,244,206
Net assets at end of year				\$ 1,088,435

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Title I</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 551,335	\$ 49,110	\$ 116,992	\$ 717,437
Receivables:				
Taxes.	1,025,916	-	156,403	1,182,319
Accounts	821	-	100	921
Intergovernmental	-	164,919	83,294	248,213
Prepayments	4,310	-	26	4,336
Materials and supplies inventory	-	-	991	991
Restricted assets:				
Equity in pooled cash and cash equivalents	61,963	-	-	61,963
Total assets	<u>\$ 1,644,345</u>	<u>\$ 214,029</u>	<u>\$ 357,806</u>	<u>\$ 2,216,180</u>
Liabilities:				
Accounts payable	\$ 6,115	\$ -	\$ 2,621	\$ 8,736
Accrued wages and benefits	168,188	29,567	11,450	209,205
Compensated absences payable	21,192	19,160	-	40,352
Pension obligation payable.	59,406	12,970	6,318	78,694
Intergovernmental payable.	18,550	203	146	18,899
Deferred revenue.	1,022,814	124,057	227,260	1,374,131
Total liabilities	<u>1,296,265</u>	<u>185,957</u>	<u>247,795</u>	<u>1,730,017</u>
Fund Balances:				
Reserved for encumbrances	86,947	-	3,981	90,928
Reserved for materials and supplies inventory.	-	-	991	991
Reserved for prepayments	4,310	-	26	4,336
Reserved for property tax unavailable for appropriation	3,102	-	-	3,102
Reserved for BWC refunds.	13,233	-	-	13,233
Reserved for school bus purchases.	15,194	-	-	15,194
Reserved for capital acquisition	33,536	-	-	33,536
Unreserved, undesignated, reported in:				
General fund	191,758	-	-	191,758
Special revenue funds.	-	28,072	105,013	133,085
Total fund balances	<u>348,080</u>	<u>28,072</u>	<u>110,011</u>	<u>486,163</u>
Total liabilities and fund balances	<u>\$ 1,644,345</u>	<u>\$ 214,029</u>	<u>\$ 357,806</u>	<u>\$ 2,216,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 486,163
<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.		601,128
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 37,451	
Intergovernmental revenue	<u>194,914</u>	
Total		232,365
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	210,779	
Capital lease obligation payable	<u>20,442</u>	
Total		<u>(231,221)</u>
Net assets of governmental activities		<u><u>\$ 1,088,435</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Title I</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 959,782	\$ -	\$ 154,586	\$ 1,114,368
Tuition.	237,963	-	-	237,963
Earnings on investments.	28,398	-	1,938	30,336
Charges for services	-	-	40,757	40,757
Extracurricular.	-	-	48,673	48,673
Classroom materials and fees	3,533	-	-	3,533
Other local revenues.	85,026	-	3,603	88,629
Intergovernmental - State.	1,513,551	-	52,483	1,566,034
Intergovernmental - Federal	-	357,512	286,304	643,816
Total revenue	<u>2,828,253</u>	<u>357,512</u>	<u>588,344</u>	<u>3,774,109</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,324,121	-	264,227	1,588,348
Special.	94,447	244,031	90,630	429,108
Vocational.	56,703	-	-	56,703
Other.	-	-	9,321	9,321
Support services:				
Pupil.	132,541	-	6,606	139,147
Instructional staff	93,805	97,204	43,623	234,632
Board of education	21,876	-	4,295	26,171
Administration.	307,424	17,152	2,000	326,576
Fiscal	185,621	-	2,665	188,286
Operations and maintenance.	311,712	7,099	-	318,811
Pupil transportation	202,478	-	1,307	203,785
Central.	-	-	6,000	6,000
Operation of non-instructional services:				
Food service operations	-	-	126,851	126,851
Other non-instructional services.	341	-	-	341
Extracurricular activities.	51,252	-	48,898	100,150
Debt service:				
Principal retirement	12,332	-	-	12,332
Interest and fiscal charges	2,176	-	-	2,176
Total expenditures	<u>2,796,829</u>	<u>365,486</u>	<u>606,423</u>	<u>3,768,738</u>
Excess of revenues over (under) expenditures .	<u>31,424</u>	<u>(7,974)</u>	<u>(18,079)</u>	<u>5,371</u>
Other financing sources:				
Sale of capital assets.	21	-	-	21
Total other financing sources	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
Net change in fund balances	31,445	(7,974)	(18,079)	5,392
Fund balances at beginning of year	<u>316,635</u>	<u>36,046</u>	<u>128,090</u>	<u>480,771</u>
Fund balances at end of year.	<u>\$ 348,080</u>	<u>\$ 28,072</u>	<u>\$ 110,011</u>	<u>\$ 486,163</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	5,392
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Additions	\$ 11,635	
Depreciation expense	(71,830)	
Total	(60,195)	(60,195)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(70,790)	
Intergovernmental	(24,499)	
Total	(95,289)	(95,289)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		12,332
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(18,011)
Change in net assets of governmental activities	\$	(155,771)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 973,021	\$ 945,411	\$ 959,967	\$ 14,556
Tuition.	241,199	234,355	237,963	3,608
Earnings on investments.	28,784	27,967	28,398	431
Classroom materials and fees	3,582	3,480	3,533	53
Other local revenues	20,850	20,258	20,570	312
Intergovernmental - State	<u>1,535,817</u>	<u>1,492,237</u>	<u>1,515,212</u>	<u>22,975</u>
Total revenue	<u>2,803,253</u>	<u>2,723,708</u>	<u>2,765,643</u>	<u>41,935</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,470,583	1,482,108	1,365,793	116,315
Special.	107,193	108,032	99,554	8,478
Vocational.	63,489	63,987	58,965	5,022
Support services:				
Pupil.	145,897	147,041	135,501	11,540
Instructional staff	101,711	102,508	94,463	8,045
Board of education	24,804	24,998	23,036	1,962
Administration.	371,603	374,516	345,124	29,392
Fiscal	198,850	200,409	184,681	15,728
Business	646	651	600	51
Operations and maintenance.	368,295	371,182	342,052	29,130
Pupil transportation	281,454	283,660	261,398	22,262
Extracurricular activities.	<u>55,185</u>	<u>55,618</u>	<u>51,253</u>	<u>4,365</u>
Total expenditures	<u>3,189,710</u>	<u>3,214,710</u>	<u>2,962,420</u>	<u>252,290</u>
Excess of revenues over (under) expenditures.	<u>(386,457)</u>	<u>(491,002)</u>	<u>(196,777)</u>	<u>294,225</u>
Other financing sources:				
Refund of prior year expenditure	65,875	64,006	64,991	985
Sale of capital assets.	22	21	21	-
Total other financing sources	<u>65,897</u>	<u>64,027</u>	<u>65,012</u>	<u>985</u>
Net change in fund balance	(320,560)	(426,975)	(131,765)	295,210
Fund balance at beginning of year.	603,506	603,506	603,506	-
Prior year encumbrances appropriated	51,000	51,000	51,000	-
Fund balance at end of year	<u>\$ 333,946</u>	<u>\$ 227,531</u>	<u>\$ 522,741</u>	<u>\$ 295,210</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$ 492,226	\$ 410,000	\$ 316,650	\$ (93,350)
Total revenue	<u>492,226</u>	<u>410,000</u>	<u>316,650</u>	<u>(93,350)</u>
Expenditures:				
Current:				
Instruction:				
Special	217,593	267,695	238,963	28,732
Support services:				
Instructional staff	85,714	105,450	94,133	11,317
Administration	16,058	19,755	17,634	2,121
Operations and maintenance	5,770	7,100	6,337	763
Total expenditures	<u>325,135</u>	<u>400,000</u>	<u>357,067</u>	<u>42,933</u>
Net change in fund balance	167,091	10,000	(40,417)	(50,417)
Fund balance at beginning of year	89,527	89,527	89,527	-
Fund balance at end of year	<u>\$ 256,618</u>	<u>\$ 99,527</u>	<u>\$ 49,110</u>	<u>\$ (50,417)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

		<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$	4,643
Receivables:		
Accounts		<u>163</u>
Total assets.	\$	<u><u>4,806</u></u>
Liabilities:		
Due to students	\$	<u>4,806</u>
Total liabilities	\$	<u><u>4,806</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District is the 607th largest by enrollment among the 615 public school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 26 non-certified and 34 certificated personnel to provide services to approximately 352 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

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

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

Trumbull Career and Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

GOVERNMENTAL FUNDS

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

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

Title I Fund - The purpose of the Title I fund is to account for financial assistance provided by state and local educational agencies to meet the special needs of educationally deprived children.

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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, 2006, but which were levied to finance fiscal year 2007 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 fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$28,398, which includes \$7,034 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District did not have any interfund loans during fiscal year 2006.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, the District had no net assets restricted by enabling legislation.

N. Prepayments

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

O. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

P. Restricted Assets

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTING AND COMPLIANCE

Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$65,971. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$64,941 of the District’s bank balance of \$164,941 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at</u>	<u>Investment Maturity</u>
	<u>Fair Value</u>	<u>6 months or</u> <u>less</u>
STAR Ohio	<u>\$ 718,072</u>	<u>\$ 718,072</u>

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

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 718,072	100.00%

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 65,971
Investments	<u>718,072</u>
Total	<u>\$ 784,043</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 779,400
Agency fund	<u>4,643</u>
Total	<u>\$ 784,043</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$3,102 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$3,287 in the general fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 38,778,780	92.95	\$ 48,109,670	94.66
Public utility personal	1,452,280	3.48	1,545,090	3.04
Tangible personal property	<u>1,492,009</u>	<u>3.57</u>	<u>1,170,333</u>	<u>2.30</u>
 Total	 <u>\$ 41,723,069</u>	 <u>100.00</u>	 <u>\$ 50,825,093</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 55.20		 \$ 54.45	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Taxes	\$ 1,182,319
Accounts	921
Intergovernmental	<u>248,213</u>
 Total	 <u>\$ 1,431,453</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	54,172	-	-	54,172
Buildings and improvements	1,666,977	4,005	-	1,670,982
Furniture and equipment	219,939	7,630	-	227,569
Vehicles	339,526	-	-	339,526
Total capital assets, being depreciated	<u>2,280,614</u>	<u>11,635</u>	<u>-</u>	<u>2,292,249</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(36,622)	(1,014)	-	(37,636)
Buildings and improvements	(1,180,924)	(34,713)	-	(1,215,637)
Furniture and equipment	(155,633)	(20,503)	-	(176,136)
Vehicles	(261,112)	(15,600)	-	(276,712)
Total accumulated depreciation	<u>(1,634,291)</u>	<u>(71,830)</u>	<u>-</u>	<u>(1,706,121)</u>
Governmental activities capital assets, net	<u>\$ 661,323</u>	<u>\$ (60,195)</u>	<u>\$ -</u>	<u>\$ 601,128</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 46,478
Special	1,983

Support Services:

Pupil	309
Instructional staff	1,006
Administration	818
Fiscal	163
Operations and maintenance	434
Pupil transportation	15,600
Food service operations	<u>5,039</u>
Total depreciation expense	<u>\$ 71,830</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$60,023. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2006 was \$45,017, leaving a current book value of \$15,006. Principal payments in fiscal year 2006 totaled \$12,332, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 14,508
2008	<u>7,254</u>
Total minimum lease payments	21,762
Less amount representing interest	<u>(1,320)</u>
Total	<u>\$ 20,442</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2006, the following changes occurred in the long-term obligations of governmental activities.

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>06/30/05</u>			<u>06/30/06</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 233,939	\$ 48,812	\$ (31,620)	\$ 251,131	\$ 60,306
Capital lease obligation	<u>32,774</u>	<u>-</u>	<u>(12,332)</u>	<u>20,442</u>	<u>13,355</u>
Total long-term obligations, governmental activities	<u>\$ 266,713</u>	<u>\$ 48,812</u>	<u>\$ (43,952)</u>	<u>\$ 271,573</u>	<u>\$ 73,661</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$4,574,258 and an unvoted debt margin \$50,825.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

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

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2005.

B. Health Self Insurance

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 10 - RISK MANAGEMENT – (Continued)

C. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$48,943, \$46,673, and \$34,919; 41.50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$28,629 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 – DEFINED BENEFIT PENSION PLANS – (Continued)

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$188,185, \$180,547 and \$171,481; 84.17 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$29,785 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$22 made by the District and \$6,882 made by the plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 – DEFINED BENEFIT PENSION PLANS – (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$14,476 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$24,340 to fund health care benefits, including the surcharge.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	<u>General Fund</u>	<u>Title I</u>
Net Change in Fund Balance		
Budget basis	\$ (131,765)	\$ (40,417)
Net adjustment for revenue accruals	62,610	40,862
Net adjustment for expenditure accruals	75,034	(8,419)
Net adjustment for other sources/uses	(64,991)	-
Adjustment for encumbrances	<u>90,557</u>	<u>-</u>
GAAP basis	<u>\$ 31,445</u>	<u>\$ (7,974)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2005	\$ (47,438)	\$ 33,974	\$ 13,233
Current year set-aside requirement	52,201	52,201	-
Qualifying disbursements	<u>(50,339)</u>	<u>(52,639)</u>	<u>-</u>
Total	<u>\$ (45,576)</u>	<u>\$ 33,536</u>	<u>\$ 13,233</u>
Cash balance carried forward to FY 2007	<u>\$ (45,576)</u>	<u>\$ 33,536</u>	<u>\$ 13,233</u>

A schedule of the restricted assets at June 30, 2006 follows:

Amounts restricted for budget reserve	\$ 13,233
Amounts restricted for school bus purchases	15,194
Amounts restricted for capital maintenance	<u>33,536</u>
Total restricted assets	<u>\$ 61,963</u>

**BLOOMFIELD MESPO LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Food Distribution Program	10.550	N/A		\$7,948		\$7,948
Nutrition Cluster:						
National School Breakfast Program	10.553	05-PU-05	\$4,324		\$4,324	
		05-PU-06	14,491		14,491	
Subtotal - CFDA 10.553			18,815		18,815	
National School Lunch Program	10.555	LL-P4-05	11,893		11,893	
		LL-P4-06	45,797		45,797	
Subtotal - CFDA 10.555			57,690		57,690	
Total Nutrition Cluster			76,505		76,505	
Total U.S.Department of Agriculture			76,505	7,948	76,505	7,948
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title 1, Grants to Local Educational Agencies	84.010	C1-S1-05	(38,723)		88,531	
		C1-S1-06	355,373		268,534	
Subtotal - CFDA 84.010			316,650		357,065	
Special Education Cluster:						
Title VI-B, Special Education Grants to States	84.027	6B-SF-06	120,889		110,137	
Total Special Education Cluster			120,889		110,137	
Title IV-A, Safe and Drug - Free Schools and Communities - State Grants	84.186	DR-S1-06	9,180		9,180	
Title V-A, State Grants For Innovative Programs	84.298	C2-S1-05			1,360	
		C2-S1-06	965		965	
Subtotal - CFDA 84.298			965		2,325	
Title II-D, Education Technology State Grants	84.318	TJ-S1-06	7,540		7,540	
Title II-A, Improving Teacher Quality State Grants	84.367	TR-SI-05	2,500		18,238	
		TR-SI-06	68,225		57,330	
Subtotal - CFDA 84.367			70,725		75,568	
Total U.S. Department of Education			525,949		561,815	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Human Services; Passed Through Ohio Department of Mental Retardation and Developmental Disabilities; Passed Through Trumbull County Educational Service Center</i>						
Medical Assistance Program - Title XIX - Community Alternative Funding System	93.778		12,751		12,751	
Totals			\$615,205	\$7,948	\$651,071	\$7,948

The Notes to the Federal Awards Expenditures Schedule are an integral part of this statement.

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B- FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the schedule.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bloomfield-Mespo Local School District, Trumbull County (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

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

Bloomfield-Mespo Local School District
Trumbull County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

July 20, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

COMPLIANCE

We have audited the compliance of Bloomfield-Mespo Local School District, Trumbull County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Bloomfield-Mespo Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

INTERNAL CONTROL OVER COMPLIANCE

The District's management 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 directly and materially affect a major federal program 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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www.auditor.state.oh.us

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Mary Taylor, CPA
Auditor of State

July 20, 2007

**BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2006**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

BLOOMFIELD-MESPO LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 4, 2007**