



**Auditor of State
Betty Montgomery**

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	14
Statement of Activities.....	15
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - (Non-GAAP Budgetary Basis)- General Fund and Emergency Levy Fund.....	22
Statement of Fiduciary Net Assets – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	25
Notes to the General Purpose Financial Statements.....	26
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures	54
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	55
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings.....	59

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Bristol Local School District
Trumbull County
1845 Greenville Rd.
PO Box 260
Bristolville, Ohio 44002-0260

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 Bristol Local School District, Trumbull County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bristol Local School District, Trumbull County, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General and Emergency Levy funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments* and GASB Interpretation No.6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

As described in Note 18 to the financial statements, the District has been declared to be in fiscal emergency under the criteria established by Ohio Revised Code Chapter 118.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
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Management's Discussion and Analysis is not required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure 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 also not a required part of the basic financial statements. We subjected the federal awards expenditure 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 28, 2004

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The discussion and analysis of the Bristol 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, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$707,010 which represents a 9.61% decrease from 2002.
- General revenues accounted for \$5,653,849 in revenue or 80.85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,339,027 or 19.15% of total revenues of \$6,992,876.
- The District had \$7,699,886 in expenses related to governmental activities; only \$1,339,027 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 \$5,653,849 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, Emergency Levy special revenue fund, debt service fund and Permanent Improvement capital projects fund. The general fund had \$6,033,231 in revenues and other financing sources and \$6,577,701 in expenditures and other financing uses. During fiscal 2003, the general fund's fund deficit increased \$550,017 from \$(559,011) to \$(1,109,028). There were no significant changes in the fund balances of the other major funds.

Using this 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, there are four major funds, including the general, emergency levy, debt service and permanent improvement fund.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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, operations and maintenance, pupil transportation, extracurricular activities, food service operations and interest and fiscal charges.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. 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 include the general fund, emergency levy fund, debt service fund and permanent improvement 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* account, 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.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	Net Assets
	Governmental Activities
	<u>2003</u>
<u>Assets</u>	
Current and other assets	\$ 2,030,975
Capital assets	<u>10,290,843</u>
Total assets	<u>12,321,818</u>
<u>Liabilities</u>	
Current liabilities	2,885,661
Long-term liabilities	<u>2,788,325</u>
Total liabilities	<u>5,673,986</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	8,180,059
Restricted	245,201
Unrestricted (deficit)	<u>(1,777,428)</u>
Total net assets	<u>\$ 6,647,832</u>

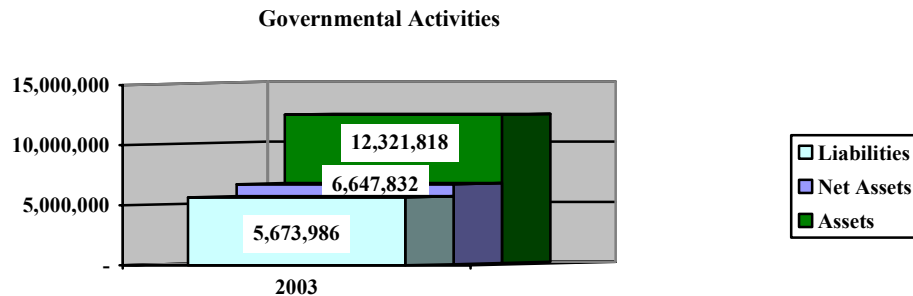
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$6,647,832. At year-end, restricted net assets were \$245,201.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

At year-end, capital assets represented 83.61% 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, 2003, were \$8,247,578. 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.

A portion of the District's net assets, \$245,201, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,777,428.



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2003
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 920,847
Operating grants and contributions	401,892
Capital grants and contributions	16,288
General revenues:	
Property taxes	1,828,368
Grants and entitlements	3,769,419
Investment earnings	5,202
Other	<u>50,860</u>
Total revenues	<u>6,992,876</u>

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 3,166,795
Special	742,909
Vocational	24,297
Other	605,778
Support services:	
Pupil	258,323
Instructional staff	314,277
Board of education	10,358
Administration	516,516
Fiscal	173,224
Business	49,716
Operations and maintenance	785,713
Pupil transportation	448,271
Extracurricular activities	207,122
Food service operations	273,426
Interest and fiscal charges	<u>123,161</u>
Total expenses	<u>7,699,886</u>
Decrease in net assets	<u><u>\$ (707,010)</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$707,010. Total governmental expenses of \$7,699,886 were offset by program revenues of \$1,339,027 and general revenues of \$5,653,849. Program revenues supported 17.39% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 80.05% of total governmental revenue. Real estate property is reappraised every six years.

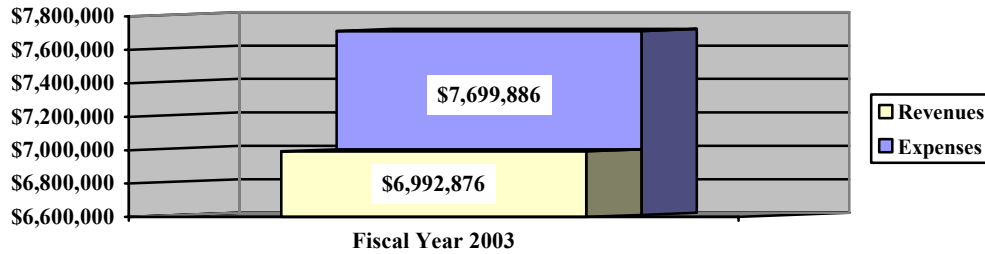
The District's financial condition has declined over the years, primarily due to enrollment declines. Future increases in state funding are projected to be inflationary.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

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. Comparisons to 2002 have not been presented since they are not available.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses		
Instruction:		
Regular	\$ 3,166,795	\$ 3,056,316
Special	742,909	546,527
Vocational	24,297	24,297
Other	605,778	14,723
Support services:		
Pupil	258,323	258,323
Instructional staff	314,277	312,702
Board of education	10,358	10,358
Administration	516,516	511,516
Fiscal	173,224	173,224
Business	49,716	49,716
Operations and maintenance	785,713	769,425
Pupil transportation	448,271	359,253
Extracurricular activities	207,122	138,148
Food service operations	273,426	13,170
Interest and fiscal charges	<u>123,161</u>	<u>123,161</u>
Total expenses	<u>\$ 7,699,886</u>	<u>\$ 6,360,859</u>

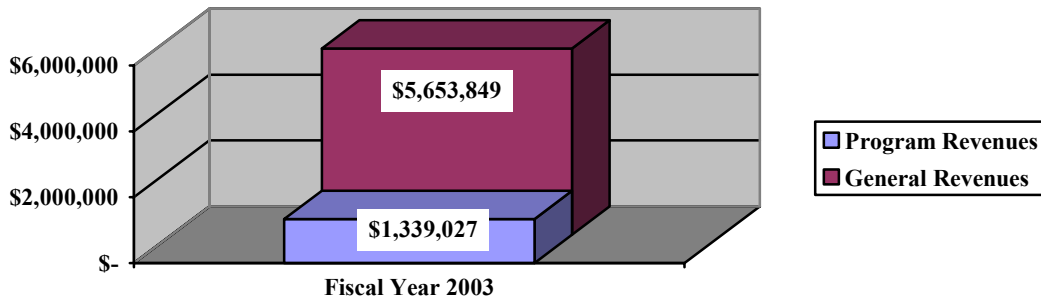
The dependence upon tax and other general revenues for governmental activities is apparent, 80.22% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.43%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 16 and 17) reported a combined fund deficit of \$954,406, which is higher than last year's restated deficit of \$291,626. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balances/deficits and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance/(Deficit) <u>June 30, 2003</u>	Fund Balance/(Deficit) <u>June 30, 2002</u>	<u>Increase/(Decrease)</u>
General	\$ (1,109,028)	\$ (559,011)	\$ (550,017)
Emergency Levy	(31,750)	15,168	(46,918)
Debt Service	55,383	60,519	(5,136)
Permanent Improvement	143,961	131,761	12,200
Other Governmental	<u>(12,972)</u>	<u>59,937</u>	<u>(72,909)</u>
Total	<u>\$ (954,406)</u>	<u>\$ (291,626)</u>	<u>\$ (662,780)</u>

General Fund

The District's general fund deficit increased by \$550,017 (after a restatement to the June 30, 2002, fund deficit which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to an increase in expenditures which exceeded the increase in revenue. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

	2003	Restated 2002	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,265,239	\$ 1,189,819	6.34%
Tuition	19,726	26,743	(26.24)%
Earnings on investments	4,922	21,781	(77.40)%
Intergovernmental	3,694,190	3,689,548	0.13%
Other revenues	<u>648,148</u>	<u>614,640</u>	5.45%
Total	<u>\$ 5,632,225</u>	<u>\$ 5,542,531</u>	1.62%
<u>Expenditures</u>			
Instruction	\$ 4,044,414	\$ 4,030,847	0.34%
Support services	2,019,782	1,818,708	11.06%
Extracurricular activities	99,753	94,096	6.01%
Capital outlay	<u>6,900</u>	<u>6,600</u>	4.55%
Total	<u>\$ 6,170,849</u>	<u>\$ 5,950,251</u>	3.71%

Emergency Levy Fund

The District's Emergency Levy fund's fund balance decreased \$46,918 from \$15,168 to \$(31,750). This decrease was due to a slight decrease in tax revenue and a slight increase in expenditures.

Debt Service Fund

The District's debt service fund's fund balance decreased \$5,136. This was due to an increase in principal and interest due on the general obligation bonds.

Permanent Improvement Fund

The District's permanent improvement fund's fund balance increased \$12,200. This increase was due to a slight decrease in expenditures.

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 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues were \$5,682,738, which approximates the original budgeted revenues estimate of \$5,985,875. Actual revenues and other financing sources for fiscal 2003 were \$5,683,229. This represents a \$509 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,278,657 were decreased to \$6,171,236 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$6,122,054, which was \$49,182 less than the final budget

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

appropriations. This is primarily due to a same fund transfer that was budgeted for but eliminated for reporting purposes.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$10,290,843 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 2003 balances compared to restated balances of 2002:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>Restated 2002</u>
Land	\$ 91,792	\$ 91,792
Building and improvements	9,815,101	9,925,563
Furniture and equipment	169,581	176,772
Vehicles	<u>214,369</u>	<u>197,147</u>
Total	<u>\$ 10,290,843</u>	<u>\$ 10,391,274</u>

Total additions to capital assets for 2003 were \$165,370 and total disposals were \$24,774. The overall decrease in capital assets of \$100,431 is primarily due to the recording of \$265,801 in depreciation expense for fiscal 2003.

Debt Administration

At June 30, 2003, the District had \$2,195,761 in general obligation bonds and asbestos loan outstanding. Of this total, \$101,038 is due within one year and \$2,094,723 is due within greater than one year. The following table summarizes the bonds and loan outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 2,110,784	\$ 2,172,248
Asbestos loan	<u>84,977</u>	<u>96,015</u>
Total	<u>\$ 2,195,761</u>	<u>\$ 2,268,263</u>

In 1998, the District passed a 2.70 mill tax levy, providing for facility improvements and additions to the District's equipment and facilities. The general obligation bonds are scheduled to mature in fiscal year 2023 and bear an interest rate of 3.90-5.25%. These bonds include current interest bonds and capital

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

appreciation bonds. Payment of principal and interest on the general obligation bonds is being made from the debt service fund.

During fiscal year 1993, the District received an asbestos abatement loan from the U.S. Environmental Protection Agency. This is an interest free loan scheduled to mature in fiscal year 2011. Payment of principal is made from the debt service fund.

The tax anticipation notes were received in 2003; however, these notes are retired during the same year. Payment of principal and interest on the tax anticipation note was made from the debt service fund.

At June 30, 2003, the District's overall legal debt margin was \$4,375,183 with an unvoted debt margin of \$71,451. The District maintains an A-1 bond rating.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District was declared to be in Fiscal Emergency on October 14, 2003, it is in a situation where an operating levy has to be passed by District voters in 2004 in order for the District to obtain the necessary funds to meet its operating expenses in the future. Without the passage of an operating levy, further reductions in staffing are inevitable.

Another challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

The District has anticipated a lower than normal increase in funding due to declining enrollment in future state revenue. The District has lost over 20 students over the last three years. When these students leave, the State funding is also decreased. The District's main challenge is how to stop this declining enrollment due to open enrollment, chartered schools and electronic schools. With decreased state funding, further cost cutting measures are inevitable unless other revenue sources become available (i.e., operating tax levy).

The District's system of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

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 Ms. Kathryn Sines, Treasurer, Bristol Local School District, 1845 Greenville NW, P.O. Box 260, Bristolville, Ohio 44402-0260.

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BASIC
FINANCIAL STATEMENTS

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**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	Governmental Activities
Assets:	
Receivables:	
Taxes	\$ 2,056,522
Accounts	134
Materials and supplies inventory	5,833
Capital assets:	
Land	91,792
Depreciable capital assets, net	10,199,051
Total capital assets	10,290,843
Total assets	12,353,332
Liabilities:	
Accounts payable	98,771
Loan payable	19,753
Accrued wages and benefits	658,645
Pension obligation payable	151,464
Intergovernmental payable	56,326
Deferred revenue	1,925,169
Accrued interest payable	7,047
Long-term liabilities:	
Due within one year	187,090
Due in more than one year	2,601,235
Total liabilities	5,705,500
Net Assets:	
Invested in capital assets, net of related debt	8,180,059
Restricted for:	
Debt service	58,817
Capital projects	164,839
Other purposes	21,545
Unrestricted (deficit)	(1,777,428)
Total net assets	\$ 6,647,832

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 3,166,795	\$ 92,812	\$ 17,667	\$ -	\$ (3,056,316)
Special	742,909	-	196,382	-	(546,527)
Vocational	24,297	-	-	-	(24,297)
Other	605,778	591,055	-	-	(14,723)
Support services:					
Pupil	258,323	-	-	-	(258,323)
Instructional staff	314,277	-	1,575	-	(312,702)
Board of education	10,358	-	-	-	(10,358)
Administration	516,516	-	5,000	-	(511,516)
Fiscal	173,224	-	-	-	(173,224)
Business	49,716	-	-	-	(49,716)
Operations and maintenance	785,713	-	-	16,288	(769,425)
Pupil transportation	448,271	-	89,018	-	(359,253)
Extracurricular activities	207,122	68,203	771	-	(138,148)
Food service operations	273,426	168,777	91,479	-	(13,170)
Interest and fiscal charges	123,161	-	-	-	(123,161)
Totals	\$ 7,699,886	\$ 920,847	\$ 401,892	\$ 16,288	(6,360,859)

General Revenues:

Property taxes levied for:	
General purposes	1,252,701
Special Revenue	320,716
Debt Service	164,838
Capital Projects	90,113
Grants and entitlements not restricted to specific programs	3,769,419
Investment earnings	5,202
Miscellaneous	50,860
Total general revenues	5,653,849
Change in net assets	(707,010)
Net assets at beginning of year	7,354,842
Net assets at end of year	\$ 6,647,832

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General</u>	<u>Emergency Levy</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>
Assets:				
Receivables:				
Taxes	\$ 1,437,022	\$ 297,821	\$ 176,253	\$ 99,885
Accounts	119	-	-	-
Interfund Receivable	9,475	-	55,849	143,521
Materials and supplies inventory	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,446,616</u>	<u>\$ 297,821</u>	<u>\$ 232,102</u>	<u>\$ 243,406</u>
Liabilities:				
Accounts payable	\$ 39,244	\$ 33,062	\$ 1,242	\$ -
Loans payable	19,753	-	-	-
Accrued wages and benefits	606,496	-	-	-
Compensated absences payable	45,105	-	-	-
Pension obligation payable	90,832	-	-	-
Intergovernmental payable	44,235	-	-	-
Interfund payable	279,287	-	-	-
Deferred revenue	1,430,692	296,509	175,477	99,445
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,555,644</u>	<u>329,571</u>	<u>176,719</u>	<u>99,445</u>
Fund Balances:				
Reserved for materials and supplies inventory	-	-	-	-
Reserved for property tax unavailable for appropriation	6,330	1,312	776	440
Reserved for school bus purchase	22,426	-	-	-
Reserved for textbooks/instructional supplies	46,007	-	-	-
Reserved for debt service	-	-	54,607	-
Unreserved, undesignated (deficit), reported in:				
General fund	(1,183,791)	-	-	-
Special revenue funds	-	(33,062)	-	-
Capital projects funds	-	-	-	143,521
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	<u>(1,109,028)</u>	<u>(31,750)</u>	<u>55,383</u>	<u>143,961</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,446,616</u>	<u>\$ 297,821</u>	<u>\$ 232,102</u>	<u>\$ 243,406</u>

--(continued)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 45,556	\$ 2,056,537
-	119
79,917	288,762
5,833	5,833
<u>\$ 131,306</u>	<u>\$ 2,351,251</u>
\$ 36,984	\$ 110,532
	19,753
52,149	658,645
-	45,105
330	91,162
-	44,235
9,475	288,762
45,340	2,047,463
<u>144,278</u>	<u>3,305,657</u>
5,833	5,833
201	9,059
-	22,426
-	46,007
-	54,607
-	(1,183,791)
(33,944)	(67,006)
14,938	158,459
<u>(12,972)</u>	<u>(954,406)</u>
<u>\$ 131,306</u>	<u>\$ 2,351,251</u>

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Total governmental fund balances		\$ (954,406)
<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.		10,290,843
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 122,294	
Total		122,294
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	2,110,784	
Asbestos loan payable	84,977	
Compensated absences	547,459	
Pension obligation payable	60,632	
Accrued interest payable	7,047	
Total		(2,810,899)
Net assets of governmental activities		\$ 6,647,832

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>General</u>	<u>Emergency Levy</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>
Revenues:				
From local sources:				
Taxes	\$ 1,265,239	\$ 284,130	\$ 167,462	\$ 91,624
Tuition.	19,726	-	-	-
Charges for services.	-	-	-	-
Earnings on investments.	4,922	-	-	-
Extracurricular.	-	-	-	-
Other local revenues	57,093	-	-	-
Other revenues.	591,055	-	-	-
Intergovernmental - State	3,694,190	38,777	20,957	11,844
Intergovernmental - Federal.	-	-	-	-
Total revenue	<u>5,632,225</u>	<u>322,907</u>	<u>188,419</u>	<u>103,468</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,958,850	-	414	16,935
Special.	502,386	-	-	-
Vocational.	24,297	-	-	-
Other	558,881	46,897	-	-
Support Services:				
Pupil.	256,480	-	414	-
Instructional staff	302,765	-	-	-
Board of education	10,358	-	-	-
Administration.	494,273	5,779	414	-
Fiscal	164,090	5,509	2,645	1,501
Business	49,700	-	-	-
Operations and maintenance.	444,564	235,756	-	414
Pupil transportation	297,552	75,884	-	6,604
Food service operations	-	-	-	-
Extracurricular activities.	99,753	-	-	5,712
Facilities acquisition and construction	6,900	-	-	60,102
Debt service:				
Principal retirement	-	-	496,038	-
Interest and fiscal charges	-	-	100,482	-
Total expenditures	<u>6,170,849</u>	<u>369,825</u>	<u>600,407</u>	<u>91,268</u>
Excess of revenues under expenditures	<u>(538,624)</u>	<u>(46,918)</u>	<u>(411,988)</u>	<u>12,200</u>
Other financing sources (uses):				
Transfers in.	-	-	406,852	-
Transfers (out)	(406,852)	-	-	-
Proceeds from sale of capital assets.	1,006	-	-	-
Proceeds of notes	400,000	-	-	-
Total other financing sources (uses)	<u>(5,846)</u>	<u>-</u>	<u>406,852</u>	<u>-</u>
Net change in fund balances	(544,470)	(46,918)	(5,136)	12,200
Fund balances (deficit) at beginning of year (restated)	(559,011)	15,168	60,519	131,761
Decrease in reserve for inventory.	(5,547)	-	-	-
Fund balances (deficits) at end of year.	<u>\$ (1,109,028)</u>	<u>\$ (31,750)</u>	<u>\$ 55,383</u>	<u>\$ 143,961</u>

--(continued)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 43,250	\$ 1,851,705
-	19,726
168,777	168,777
280	5,202
122,125	122,125
16,215	73,308
-	591,055
39,263	3,805,031
374,958	374,958
<u>764,868</u>	<u>7,011,887</u>
27,906	3,004,105
227,740	730,126
-	24,297
-	605,778
-	256,894
9,807	312,572
-	10,358
5,854	506,320
460	174,205
-	49,700
56,087	736,821
89,018	469,058
241,532	241,532
105,619	211,084
72,270	139,272
-	496,038
-	100,482
<u>836,293</u>	<u>8,068,642</u>
<u>(71,425)</u>	<u>(1,056,755)</u>
-	406,852
-	(406,852)
-	1,006
-	400,000
<u>-</u>	<u>401,006</u>
<u>(71,425)</u>	<u>(655,749)</u>
59,937	(291,626)
(1,484)	(7,031)
<u>\$ (12,972)</u>	<u>\$ (954,406)</u>

**BRISTOL 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, 2003**

Net change in fund balances - total governmental funds	\$	(655,749)
<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 exceeded capital outlays in the current period.		(100,431)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		(7,031)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(39,203)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		96,038
Accreted interest accrued on capital appreciation bonds is not reported in the funds, however, on the statement of activities this is reported as an expense as it increases liabilities on the statement of net assets.		(23,536)
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		857
Some expenses reported in the statement of activities, such as compensated absences and pension obligations do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		22,045
		<hr style="width: 100%;"/>
Change in net assets of governmental activities	\$	(707,010)
		<hr style="width: 100%;"/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRISTOL 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, 2003**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over Under
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,395,200	\$ 1,265,201	\$ 1,265,201	\$ -
Tuition.	21,753	19,726	19,726	-
Earnings on investments.	4,972	4,509	4,922	413
Other local revenues.	374,639	607,103	607,582	479
Intergovernmental - State	4,049,036	3,645,924	3,694,190	48,266
Total revenues.	5,845,600	5,542,463	5,591,621	49,158
Expenditures:				
Current:				
Instruction:				
Regular	2,959,221	2,907,715	2,907,952	(237)
Special.	503,989	495,217	495,257	(40)
Vocational.	25,482	25,039	25,041	(2)
Other	557,772	548,065	548,109	(44)
Support Services:				
Pupil.	279,899	275,028	275,050	(22)
Instructional staff	300,382	295,154	295,178	(24)
Board of education	10,169	9,992	9,993	(1)
Administration.	495,978	487,346	487,385	(39)
Fiscal	167,033	164,126	164,139	(13)
Business	42,809	42,064	42,067	(3)
Operations and maintenance.	427,022	419,590	419,624	(34)
Pupil transportation	298,556	293,360	293,384	(24)
Extracurricular activities.	100,690	98,938	98,946	(8)
Facilities acquisition and construction	3,053	3,000	3,000	-
Total expenditures	6,172,055	6,064,634	6,065,125	(491)
Excess of revenues over (under) expenditures.	(326,455)	(522,171)	(473,504)	48,667
Other financing sources (uses):				
Refund of prior year expenditure	40,602	40,602	40,602	-
Transfers in	50,000	50,000	50,000	-
Transfers (out)	(56,929)	(56,929)	(56,929)	-
Advances in.	49,673	49,673	-	(49,673)
Advances (out)	(49,673)	(49,673)	-	49,673
Proceeds from sale of capital assets	-	-	1,006	1,006
Total other financing sources (uses)	33,673	33,673	34,679	1,006
Net change in fund balance	(292,782)	(488,498)	(438,825)	49,673
Fund balance at beginning of year (restated).	72,072	72,072	72,072	-
Prior year encumbrances appropriated	55,952	55,952	55,952	-
Fund deficit at end of year	\$ (164,758)	\$ (360,474)	\$ (310,801)	\$ 49,673

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY LEVY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 284,418	\$ 284,418	\$ 284,418	\$ -
Intergovernmental - State	38,777	38,777	38,777	-
Total revenue	<u>323,195</u>	<u>323,195</u>	<u>323,195</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Other.	42,388	42,388	42,388	-
Support Services:				
Administration.	5,779	5,779	5,779	-
Fiscal	5,509	5,509	5,509	-
Operations and maintenance.	219,670	219,670	219,670	-
Pupil transportation	65,618	65,618	65,618	-
Total expenditures	<u>338,964</u>	<u>338,964</u>	<u>338,964</u>	<u>-</u>
Excess of revenues over (under) expenditures.	<u>(15,769)</u>	<u>(15,769)</u>	<u>(15,769)</u>	<u>-</u>
Fund balance at beginning of year (restated)	-	-	-	-
Prior year encumbrances appropriated . .	15,769	15,769	15,769	-
Fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 893
Loans receivable	1,500	18,253
	1,500	19,146
Liabilities:		
Accounts payable	-	2,344
Due to students	-	16,802
	-	19,146
Net Assets:		
Held in trust for scholarships	1,500	
	1,500	
Total net assets	\$ 1,500	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Gifts and contributions	\$	1,500
Total additions		<u>1,500</u>
Change in net assets		1,500
Net assets at beginning of year		<u>-</u>
Net assets at end of year	\$	<u>1,500</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bristol Local School District (the "District") is located in Trumbull County and encompasses all of the Village of Bristolville, and all or part of surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District is the 519th largest by enrollment among the 740 public and community school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 41 non-certified and 66 certificated personnel to provide services to approximately 914 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". The reporting entity is composed of the primary government, component units and other organization's 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, food 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 organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organizations resources; or (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 this 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:

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

JOINTLY VENTURE WITHOUT EQUITY INTEREST

The Northeast Ohio Management Information Network (NEOMIN) is a joint venture among 28 school districts and two county educational service centers. The joint venture 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 governments of these schools supports NEOMIN based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contribution. NEOMIN is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in NEOMIN because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information is available from Lori Simione, Treasurer for the Trumbull County Educational Service Center, fiscal agent, at 347 N. Park Avenue, Warren, Ohio 44481.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan 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.

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:

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

General Fund - The general fund is 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.

Emergency Levy Fund - The Emergency Levy special revenue fund is used to account for the accumulation of tax revenue generated by an emergency tax levy and the use of those funds.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the repayment of debt.

Permanent Improvement Fund - The Permanent Improvement capital projects fund is used to account for the accumulation of resources used for facility improvements other than those accounted for in other funds.

The other governmental funds of the District account 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's only trust fund is a private purpose trust which accounts for scholarship programs for students. 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.

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.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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. Proprietary and 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 6).

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.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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, 2003, but which were levied to finance fiscal year 2004 operation, 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 received 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 budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund and function level. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

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

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' 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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level of expenditures must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

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

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 2003, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$4,922, which includes \$280 assigned from other District 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 that are not purchased from a pool are reported as investments.

An analysis of the Treasurer'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 purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District has changed the capitalization threshold from \$1,000 to \$2,000. The District does not possess any infrastructure. 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.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 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.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least 15 years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

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

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.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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. Bonds and long term loans are recognized as a liability on the fund financial statements when due.

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 property taxes unavailable for appropriation, textbooks/instructional supplies, materials and supplies, school bus purchases and debt service. 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. 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.

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

textbooks/instructional materials. In addition, the District reports restricted assets for school bus purchases. See Note 17 for details.

P. 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.

Q. 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 2003.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the District not being able to present budgetary comparisons for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise and agency funds have been reclassified and are now part of the general and other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002. In addition, a nonmajor fund has been restated due to an accounts payable entry recorded in error in the previous year.

The fund reclassification, the adjustments for interest and tax revenue and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances/(deficit) as previously reported:

	<u>General</u>	<u>Emergency Levy</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance						
June 30, 2002	\$ (571,555)	\$ 15,168	\$ 60,519	\$ 131,761	\$ 130,483	\$ (233,624)
Fund reclassifications	44,788	-	-	-	(74,107)	(29,319)
Implementation of GASB						
Interpretation No. 6	(32,244)	-	-	-	-	(32,244)
Accounts payable error	-	-	-	-	3,561	3,561
Adjusted fund balance/deficit,						
June 30, 2002	<u>\$ (559,011)</u>	<u>\$ 15,168</u>	<u>\$ 60,519</u>	<u>\$ 131,761</u>	<u>\$ 59,937</u>	<u>\$ (291,626)</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund deficit, June 30, 2002	\$ (291,626)
GASB 34 adjustments:	
Long-term (deferred) assets	161,497
Capital assets	10,391,274
Accrued interest payable	(7,904)
Long-term liabilities	<u>(2,898,399)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 7,354,842</u>

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 77,805
Emergency Levy	31,750
Teacher Development	50
EMIS	61
DPIA	83
Summer School	10
Title I	26,330
Title II-A	9,541

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

C. Negative Cash Balances

Contrary to Ohio Revised Code Section 5705.10, the District had negative cash balances as follows:

General Fund	\$ (339,005)
<u>Nonmajor Funds</u>	
Food Service	(50,217)

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

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

Interim monies may be 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(17,097) and the bank balance was \$31,016. The entire balance was covered by federal depository insurance:

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Money Market			\$ 2,677	\$ 2,677	\$ 2,677
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,677</u>		
Not subject to categorization:					
Investment in STAR Ohio				<u>15,313</u>	<u>15,313</u>
Total investments				<u>\$ 17,990</u>	<u>\$ 17,990</u>

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

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 893	\$ -
Investments of the cash management pool:		
Money market	(2,677)	2,677
Investment in STAR Ohio	<u>(15,313)</u>	<u>15,313</u>
GASB Statement No. 3	<u>\$ (17,097)</u>	<u>\$ 17,990</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Debt Service funds from:	
General fund	\$ 406,852

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- B.** Interfund Receivables/Payables consisted of the following at June 30, 2003, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Permanent Improvement	General	\$ 143,521
Debt Service	General	55,849
Non Major Governmental	General	79,917
General	Non Major Governmental	9,475

- C.** Interfund loans consisted of the following as of June 30, 2003, as reported on the Statement of Net Assets and the Fund Statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Private Purpose Trust	General	\$ 1,500
Agency	General	18,253

The purpose of the amount due to the general fund is the amounts due for the accumulation of workers' compensation and retirement benefits. Interfund loans between governmental funds will be eliminated on the government-wide statements.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 6 - 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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. 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.

The District receives property taxes from Trumbull County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available as an advance can vary based on the date the 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, 2003 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, 2003 was \$6,330 in the general fund, \$776 in the debt service fund, \$1,312 in the Emergency Levy special revenue fund, \$201 in the Classroom Facilities special revenue fund, and \$440 in the Permanent Improvement capital projects fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2002 was \$6,291 in the general fund, \$841 in the debt service fund, \$1,599 in the Emergency Levy special revenue fund, \$139 in the Classroom Facilities special revenue fund, and \$478 in the Permanent Improvement capital projects fund.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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.

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

	<u>2002 Second Half Collections</u>		<u>2003 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 58,436,900	93.21	\$ 67,035,840	93.82
Public utility personal	3,094,100	4.94	3,088,990	4.32
Tangible personal property	<u>1,158,601</u>	<u>1.85</u>	<u>1,326,102</u>	<u>1.86</u>
Total	<u>\$ 62,689,601</u>	<u>100.00</u>	<u>\$ 71,450,932</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.75		\$ 45.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, internal loans 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:

Property taxes	\$ 2,056,522
Accounts	<u>134</u>
Total	<u>\$ 2,056,656</u>

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

NOTE 8 - CAPITAL ASSETS

- A.** The capital asset balances of the governmental activities have been restated due to a change in the District's capital asset policy and reclassification of funds (see Note 2.H. for detail):

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 8 - CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>06/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>06/30/02</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 91,792	\$ -	\$ 91,792
Total capital assets, not being depreciated	<u>91,792</u>	<u>-</u>	<u>91,792</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	32,092	(10,266)	21,826
Building and improvements	11,036,370	(1,660)	11,034,710
Furniture and equipment	928,946	(297,053)	631,893
Vehicles	436,520	(1,200)	435,320
Total capital assets, being depreciated	<u>12,433,928</u>	<u>(310,179)</u>	<u>12,123,749</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(1,824,267)</u>	<u>(1,824,267)</u>
Governmental activities capital assets, net	<u>\$ 12,525,720</u>	<u>\$ (2,134,446)</u>	<u>\$ 10,391,274</u>

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

	<u>Restated</u> <u>Balance</u> <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/03</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 91,792	\$ -	\$ -	\$ 91,792
Total capital assets, not being depreciated	<u>91,792</u>	<u>-</u>	<u>-</u>	<u>91,792</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	21,826	-	-	21,826
Building and improvements	11,034,710	100,534	-	11,135,244
Furniture and equipment	631,893	9,712	-	641,605
Vehicles	435,320	55,124	(24,774)	465,670
Total capital assets, being depreciated	<u>12,123,749</u>	<u>165,370</u>	<u>(24,774)</u>	<u>12,264,345</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(21,826)	-	-	(21,826)
Building and improvements	(1,109,147)	(210,996)	-	(1,320,143)
Furniture and equipment	(455,121)	(16,903)	-	(472,024)
Vehicles	(238,173)	(37,902)	24,774	(251,301)
Total accumulated depreciation	<u>(1,824,267)</u>	<u>(265,801)</u>	<u>24,774</u>	<u>(2,065,294)</u>
Governmental activities capital assets, net	<u>\$ 10,391,274</u>	<u>\$ (100,431)</u>	<u>\$ -</u>	<u>\$ 10,290,843</u>

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 172,451
Special	10,400

Support Services:

Pupil	1,402
Instructional Staff	6,690
Administration	6,319
Fiscal	505
Operations and Maintenance	10,782
Pupil Transportation	37,902
Extracurricular Activities	1,518
Food Service Operation	<u>17,832</u>

Total depreciation expense	<u>\$ 265,801</u>
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NOTE 9 - LONG-TERM OBLIGATIONS

- A.** The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$58,540 from \$558,827 to \$617,367 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$43,096 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2002 was a increase of \$15,444 from \$2,870,186 to \$2,885,630. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

	Interest	Restated Balance Outstanding	Additions	Reductions	Balance Outstanding	Amounts Due in
	<u>Rate</u>	<u>06/30/02</u>			<u>06/30/03</u>	<u>One Year</u>
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Current interest bonds	3.9-5.25%	\$ 1,895,000	\$ -	\$ (85,000)	\$ 1,810,000	\$ 90,000
Capital appreciation bonds	8.15%	277,248	23,536	-	300,784	-
Total general obligation bonds payable		<u>\$ 2,172,248</u>	<u>\$ 23,536</u>	<u>\$ (85,000)</u>	<u>\$ 2,110,784</u>	<u>\$ 90,000</u>
<u>Other Long-Term Obligations:</u>						
Asbestos Loan	N/A	\$ 96,015	\$ -	\$ (11,038)	\$ 84,977	\$ 11,038
Compensated absences		617,367	42,032	(66,835)	592,564	86,052
Total other long-term obligations		<u>\$ 713,382</u>	<u>\$ 42,032</u>	<u>\$ (77,873)</u>	<u>\$ 677,541</u>	<u>\$ 97,090</u>
Total governmental activities		<u>\$ 2,885,630</u>	<u>\$ 65,568</u>	<u>\$ (162,873)</u>	<u>\$ 2,788,325</u>	<u>\$ 187,090</u>

General Obligation Bonds: During fiscal year 1998, the District issued voted \$2,333,870 in school improvement general obligation bonds to provide funds for the acquisition and construction of equipment and facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. The source of repayment is derived from a current 2.70 mill bonded debt tax levy.

This issue is comprised of both current interest bonds, par value \$2,140,000, and capital appreciation bonds, par value \$380,000. The interest rates on the current interest bonds range from 3.90% to 5.25%. The capital appreciation bonds mature on December 1, 2004 (effective interest 9.00%), December 1, 2005 (effective interest 8.15%), December 1, 2006 (effective interest 8.15%), and December 1, 2007 (effective interest 8.15%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported as long-term liabilities on the statement of net assets at June 30, 2003 was \$198,370. A total of \$83,378 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2003.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2020.

Asbestos Loan: During fiscal year 1993, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. Payments are recorded as expenditures of the debt service fund, from current operating revenue.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2003, are as follows:

Year Ended	Asbestos Loan			Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 11,038	\$ -	\$ 11,038	\$ 90,000	\$ 89,865	\$ 179,865	\$ -	\$ -	\$ -
2005	11,038	-	11,038	-	82,908	82,908	95,000	-	95,000
2006	11,038	-	11,038	-	87,908	87,908	95,000	-	95,000
2007	11,038	-	11,038	-	87,908	87,908	95,000	-	95,000
2008	11,038	-	11,038	-	87,908	87,908	95,000	-	95,000
2009 - 2013	29,787	-	29,787	510,000	380,796	890,796	-	-	-
2014 - 2018	-	-	-	660,000	233,555	893,555	-	-	-
2019 - 2023	-	-	-	550,000	44,100	594,100	-	-	-
Total	\$ 84,977	\$ -	\$ 84,977	\$ 1,810,000	\$ 1,094,948	\$ 2,904,948	\$ 380,000	\$ -	\$ 380,000

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$4,375,183 (including available funds of \$55,383) and an unvoted debt margin of \$71,451.

NOTE 10 - NOTES PAYABLE

The tax anticipation notes described below have been issued in anticipation of tax revenue and was retired through the debt service fund. These notes are backed by the full faith and credit of the District.

	Interest Rate	Issue Date	Notes Outstanding 06/30/02	Notes Issued	Notes Retired	Notes Outstanding 06/30/03
Tax anticipation notes	3.00%	12/30/02	\$ -	\$ 400,000	\$ (400,000)	\$ -

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of seventy days for both certificated and classified employees. An

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 11 - OTHER EMPLOYEE BENEFITS (Continued)

employee receiving such payment must meet the retirement provisions set by STRS and SERS.

B. Insurance Benefits

The District provides health, dental, 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.

C. Retirement Incentive

The District offers a one-time retirement bonus in the amount of 25 percent of his/her final salary rate to all certified employees who provide the District with their notice of retirement by March 1 and complete the balance of the school year. The retirement bonus is payable upon completion of service through the last work day of the school year.

NOTE 12 - 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 \$500,000 for each accident, medical coverage of \$5,000 per person, and uninsured motorist of \$500,000 for each accident with a collision deductible of \$500.

Real property and contents are fully insured. Real property is 90% co-insured. Limits of insurance on real property and equipment are \$6,605,800 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.

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

B. Health 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 shared 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 stop-loss premium to

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 12 - RISK MANAGEMENT - (Continued)

General American Insurance. The specific individual stop-loss is \$100,000 per year. The aggregate stop-loss is 105% of yearly anticipate claims.

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

C. OSBA Group Workers' Compensation Rating Program

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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 percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$125,634, \$118,126, and \$118,982, respectively; 45% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$69,312, represents the unpaid contribution for fiscal year 2003.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

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

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

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$395,957, \$384,768, and \$383,577, respectively; 83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$67,728, represents the unpaid

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

contribution for fiscal year 2003. Contributions to the DC and Combined Plans for fiscal year 2003 were \$573 made by the School District and \$3,683 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$28,734 during fiscal 2003.

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

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

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

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$61,771 during the 2003 fiscal year.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 15 - 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, 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 is as follows:

	Net Change in Fund Balance	
	General <u>Fund</u>	Emergency <u>Levy</u>
Budget basis	\$ (438,825)	\$ (15,769)
Net adjustment for revenue accruals	40,604	(288)
Net adjustment for expenditure accruals	(106,213)	(30,861)
Net adjustment for other sources/uses	<u>(40,036)</u>	<u>-</u>
GAAP basis	<u>\$ (544,470)</u>	<u>\$ (46,918)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 16 – CONTINGENCIES (Continued)

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ 34,715	\$ (1,221,316)
Current year set-aside requirement	125,247	125,247
Qualifying disbursements	<u>(113,955)</u>	<u>(66,838)</u>
Total	<u>\$ 46,007</u>	<u>\$ (1,162,907)</u>
Balance carried forward to FY 2004	<u>\$ 46,007</u>	<u>\$ (1,162,907)</u>
Amount to limit set-aside to cash available	<u>\$ (46,007)</u>	<u>\$ -</u>
Total restricted	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials due to budget cuts. However, the District does not have the cash available in the general fund to restrict for the set-aside. The balance will be reserved and carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. There is not cash available in the general fund to restrict this amount \$(22,426), however the amount will be reserved in the general fund.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT

On October 14, 2003, the District was declared to be in fiscal emergency by the Auditor of State. There are several conditions which determine whether a District should be declared in fiscal emergency, among which include the failure to pass a levy to eliminate the operating deficit in the succeeding year. The District is currently working with the state to meet criteria for terminating the fiscal emergency status.

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
AS OF JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education.</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$20,192		\$20,192
National School Lunch Program	LL-P4-02 LL-P4-03	10.555	\$9,281 59,660		\$9,281 59,660	
Subtotal -- School National School Lunch Program			68,941		68,941	
Total U.S. Department of Agriculture □ Nutrition Cluster			68,941	20,192	68,941	20,192
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education.</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1-02 C1-S1-03	84.010	8,117 140,379		15,865 140,379	
Subtotal □ Title I School Subsidy			148,496		156,244	
Special Education Grants to States Title VI-B Handicapped Flowthrough	6B-SF-02 P 6B-SF-03 P	84.027	1,440 87,578		1,440 78,603	
Subtotal □ Title VI-B Handicapped Flowthrough			89,018		80,043	
Eisenhower Math and Science □ Subsidy	MS-S1 02	84.281			1,183	
Title II -D Technology Subsidy	TJ-S1 03	84.318	3,844		3,844	
Safe and Drug Free School and Communities Drug Free Education □ Subsidy	DR-S1 02	84.186	4,751			
Innovative Education Program Strategies Chapter 2 □ Subsidy	CS-S1 03	84.298	5,051		5,051	
Title VI R Class Size Reduction Subsidy	CR-S1-02	84.340	3,313		3,472	
Schoolnet Infusion Subsidy	AT-S2-02 AT-S4-02	84.352A	2,072 5,400		2,072	
Subtotal Schoolnet Infusion Subsidy			7,472		2,072	
Title II - A	TR-S1 03	84.367	44,072		42,126	
Total U.S. Department of Education			306,017		294,035	
Totals			\$374,958	\$20,192	\$362,976	\$20,192

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

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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

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.



Auditor of State Betty Montgomery

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

Bristol Local School District
Trumbull County
1845 Greenville Rd.
PO Box 260
Bristolville, Ohio 44002-0260

To The Board of Education:

We have audited the financial statements of Bristol Local School District, Trumbull County (the District) as of and for the year ended June 30 2003, and have issued our report thereon dated May 28, 2004, wherein we noted conditions raising substantial doubt about the District's ability to continue as a going concern. The District also adopted Governmental Accounting Standards Board Statement No. 34 and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bristol Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003-001, We also noted one immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bristol Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 28, 2004.

Bristol Local School District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 28, 2004



**Auditor of State
Betty Montgomery**

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

Bristol Local School District
Trumbull County
1845 Greenville Rd.
PO Box 260
Bristolville, Ohio 44002-0260

To The Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 28, 2004.

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



Betty Montgomery
Auditor of State

May 28, 2004

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

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

FINDING NUMBER 2003-001

Ohio Revised Code § 5705.10 requires money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. As of June 30, 2003, the following funds had negative fund balances:

General Fund (\$339,005)
Food Service (\$50,217)

The General fund generated revenues of \$5,637,225, and the Food Service fund had revenues of \$237,618 for FY 2003. The District has been placed in Fiscal Emergency and has been working with the oversight commission to remedy this situation.

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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800-282-0370

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BRISTOL 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
JUNE 22, 2004**