



Mary Taylor, CPA  
Auditor of State



**BRISTOL LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

April 13, 2007

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

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

The management's 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, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$744,401 which represents an 11.45% increase from 2005.
- General revenues accounted for \$6,224,254 in revenue or 83.04% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,271,639 or 16.96% of total revenues of \$7,495,893.
- The District had \$6,751,492 in expenses related to governmental activities; only \$1,271,639 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 \$6,224,254 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, emergency levy fund, debt service fund and permanent improvement fund. The general fund had \$5,356,240 in revenues and other financing sources and \$5,203,257 in expenditures. During fiscal 2006, the general fund's fund deficit decreased \$152,983 from a deficit of \$513,457 to a deficit of \$360,474.
- The emergency levy fund had \$553,959 in revenues and \$488,541 in expenditures and other financing uses. During fiscal 2006, the emergency levy fund's fund balance increased \$65,418 from \$33,796 to \$99,214.
- The debt service fund had \$761,894 in revenues and \$761,738 in expenditures. During fiscal 2006, the debt service fund's fund balance increased \$156 from \$75,308 to \$75,464.
- The permanent improvement fund had \$106,405 in revenues and \$89,399 in expenditures. During fiscal 2006, the permanent improvement fund's fund balance increased \$17,006 from \$315,174 to \$332,180.

**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: the general fund, emergency levy fund, debt service fund and permanent improvement fund.

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

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

***Statement of Net Assets and the Statement of Activities***

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

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds 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* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District 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 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.

**The District as a Whole**

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

	<b>Net Assets</b>	
	Governmental Activities 2006	Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 3,664,754	\$ 2,918,035
Capital assets, net	<u>9,566,232</u>	<u>9,808,737</u>
Total assets	<u>13,230,986</u>	<u>12,726,772</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,232,513	2,770,571
Long-term liabilities	<u>2,753,343</u>	<u>3,455,472</u>
Total liabilities	<u>5,985,856</u>	<u>6,226,043</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	7,755,548	7,763,003
Restricted	1,153,492	937,888
Unrestricted (deficit)	<u>(1,663,910)</u>	<u>(2,200,162)</u>
Total net assets	<u>\$ 7,245,130</u>	<u>\$ 6,500,729</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$7,245,130. At year-end, restricted net assets were \$1,153,492.

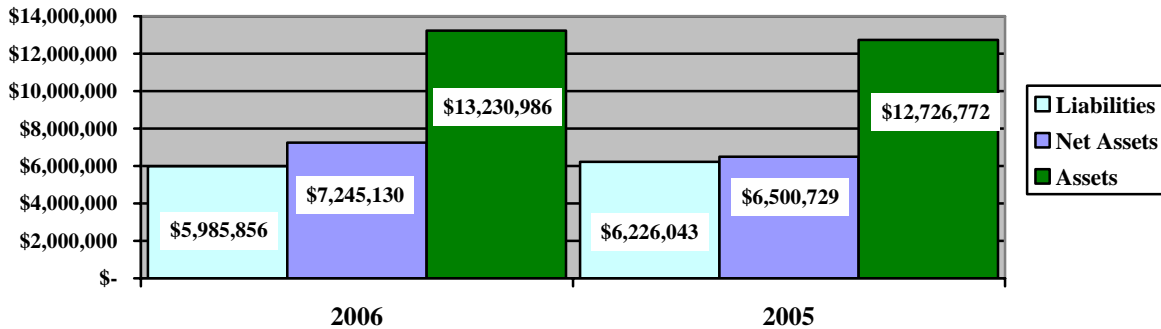
At year-end, capital assets represented 72.30% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$7,755,548. These capital assets are used 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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A portion of the District's net assets, \$1,153,492, 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 \$1,663,910.

**Governmental Activities**



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

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 758,703	\$ 949,345
Operating grants and contributions	503,720	522,229
Capital grants and contributions	9,216	12,370
General revenues:		
Property taxes	2,300,200	1,990,283
Grants and entitlements	3,827,041	3,701,377
Investment earnings	27,253	11,112
Other	69,760	52,899
Total revenues	<u>7,495,893</u>	<u>7,239,615</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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	<b>Change in Net Assets</b>	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,278,701	\$ 3,626,282
Special	561,946	555,358
Vocational	910	-
Other	426,834	560,782
Support services:		
Pupil	209,929	202,510
Instructional staff	139,878	147,489
Board of education	13,608	13,938
Administration	432,821	487,390
Fiscal	176,062	180,316
Business	32,343	29,334
Operations and maintenance	572,574	580,004
Pupil transportation	445,522	399,802
Central	6,000	6,000
Operation of non-instructional services	17,957	-
Extracurricular activities	153,582	136,493
Food service operations	178,002	176,782
Interest and fiscal charges	<u>104,823</u>	<u>106,065</u>
Total expenses	<u>6,751,492</u>	<u>7,208,545</u>
Change in net assets	744,401	31,070
Net assets beginning of year	<u>6,500,729</u>	<u>6,469,659</u>
Net assets end of year	<u>\$ 7,245,130</u>	<u>\$ 6,500,729</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$744,401. Total governmental expenses of \$6,751,492 were offset by program revenues of \$1,271,639 and general revenues of \$6,224,254. Program revenues supported 18.83% 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 81.74% of total governmental revenue. Real estate property is reappraised every six years.

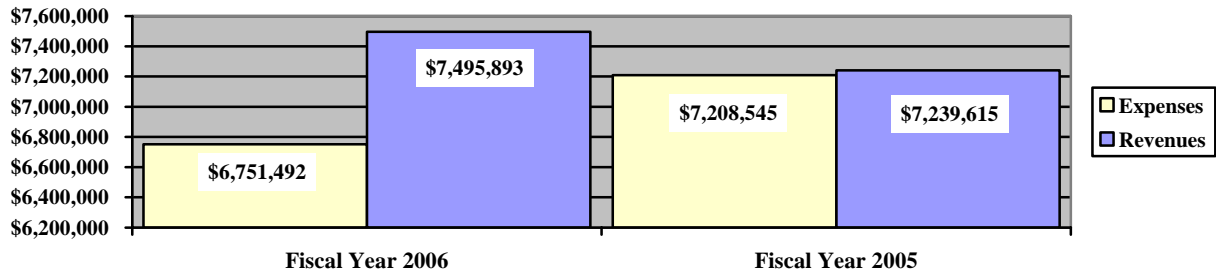
The District's financial condition has declined over the years, primarily due to enrollment declines. Future increases in state funding are projected to be inflationary.

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

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

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,278,701	\$ 2,682,550	\$ 3,626,282	\$ 3,337,411
Special	561,946	339,970	555,358	356,717
Vocational	910	910	-	-
Other	426,834	414,355	560,782	42,404
Support services:				
Pupil	209,929	203,676	202,510	202,510
Instructional staff	139,878	138,131	147,489	144,177
Board of education	13,608	13,608	13,938	13,938
Administration	432,821	421,821	487,390	482,167
Fiscal	176,062	176,001	180,316	178,779
Business	32,343	32,343	29,334	29,334
Operations and maintenance	572,574	568,843	580,004	549,621
Pupil transportation	445,522	396,176	399,802	316,769
Central	6,000	6,000	6,000	-
Operation of non-instructional services	17,957	17,957	-	-
Extracurricular activities	153,582	17,755	136,493	8,660
Food service operations	178,002	(55,066)	176,782	(43,951)
Interest and fiscal charges	104,823	104,823	106,065	106,065
<b>Total expenses</b>	<u>\$ 6,751,492</u>	<u>\$ 5,479,853</u>	<u>\$ 7,208,545</u>	<u>\$ 5,724,601</u>

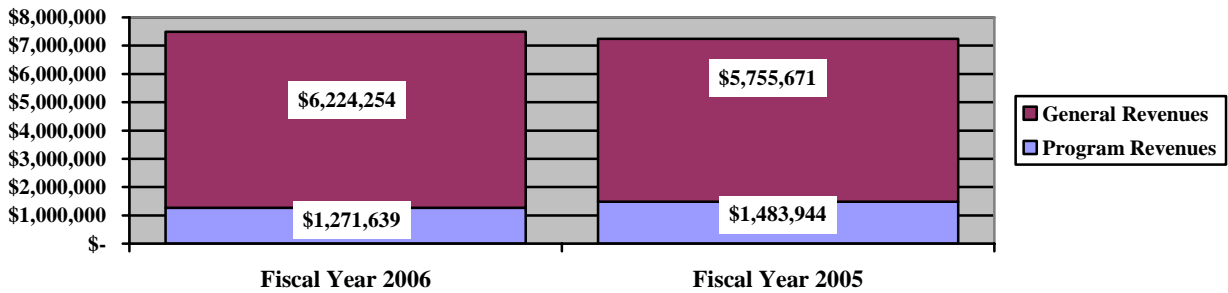
The dependence upon tax and other general revenues for governmental activities is apparent, 80.54% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.17%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

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

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

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on pages 15) reported a combined fund balance of \$222,001, which is higher than last year's deficit of \$54,123. The schedule below indicates the fund balances/deficits and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance/(Deficit) <u>June 30, 2006</u>	Fund Balance/(Deficit) <u>June 30, 2005</u>	<u>Increase</u>
General	\$ (360,474)	\$ (513,457)	\$ 152,983
Emergency Levy	99,214	33,796	65,418
Debt Service	75,464	75,308	156
Permanent Improvement	332,180	315,174	17,006
Other Governmental	<u>75,617</u>	<u>35,056</u>	<u>40,561</u>
Total	<u>\$ 222,001</u>	<u>\$ (54,123)</u>	<u>\$ 276,124</u>

**General Fund**

The District's general fund's fund deficit balance decreased \$152,983. The decrease in fund deficit balance can be attributed to a payment for summer insurance was relieved by the insurer causing an adjustment to the way the District reports the liability of accrued wages. 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  
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	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,495,942	\$ 1,364,038	9.67 %
Tuition	160,406	164,198	(2.31) %
Earnings on investments	27,253	11,112	145.26 %
Intergovernmental	3,166,471	3,286,411	(3.65) %
Other revenues	<u>474,235</u>	<u>564,152</u>	(15.94) %
Total	<u>\$ 5,324,307</u>	<u>\$ 5,389,911</u>	(1.22) %
<b><u>Expenditures</u></b>			
Instruction	\$ 3,732,433	\$ 4,026,956	(7.31) %
Support services	1,453,465	1,629,374	(10.80) %
Extracurricular activities	17,359	2,300	654.74 %
Facilities acquisition and construction	<u>-</u>	<u>3,750</u>	(100.00) %
Total	<u>\$ 5,203,257</u>	<u>\$ 5,662,380</u>	(8.11) %

**Emergency Levy Fund**

The District's Emergency Levy fund's fund balance increased \$65,418 from \$33,796 to a balance of \$99,214. This increase was due to revenues increasing faster than expenses.

**Debt Service Fund**

The District's debt service fund's fund balance increased \$156 from \$75,308 to \$75,464. This was due to revenues exceeding expenditures.

**Permanent Improvement Fund**

The District's permanent improvement fund's fund balance increased \$17,006 from \$315,174 to \$332,180. This increase was due to slightly increasing revenues still exceeding increased 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 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$5,362,771, which was lower than the original budgeted revenues estimate of \$5,738,797. Actual revenues and other financing sources for fiscal 2006 were \$5,366,454. This represents a \$3,683 increase over final budgeted revenues.

General fund final appropriations and other financing uses were \$5,262,702, which was lower than the original budgeted expenditures of \$5,746,772. Actual expenditures and other financing uses for fiscal 2006 were \$5,262,701. This represents a \$ 1 decrease over the final budgeted expenditures.

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

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

*Capital Assets*

At the end of fiscal 2006, the District had \$9,566,232 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to balances of 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 91,792	\$ 91,792
Building and improvements	9,223,518	9,417,510
Furniture and equipment	132,656	150,237
Vehicles	118,266	149,198
Total	\$ 9,566,232	\$ 9,808,737

The overall decrease in capital assets of \$242,505 is due to depreciation expense of \$261,525 exceeding capital outlay of \$ 19,020 for the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2006, the District had \$2,120,167 in general obligation bonds and loans outstanding. Of this total, \$278,538 is due within one year and \$1,841,629 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 1,895,804	\$ 1,973,890
Asbestos loan	51,863	62,901
State solvency loan	172,500	737,500
Total	\$ 2,120,167	\$ 2,774,291

At June 30, 2006, the District's overall legal debt margin was \$6,181,278 with an unvoted debt margin of \$87,961.

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

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

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

**Current Financial Related Activities**

This District continues to face many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grants 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. An emergency levy was put before the voters six times, finally passing in February of 2005. Collection of the 5.5 mill levy will begin in calendar year 2006. Cost cutting measures, including reductions in several teaching and non-teaching staff were made over the last two years and a total of \$1.13 million was borrowed from the State Solvency Assistance Fund. Repayment of the loan began in August of 2004 and will conclude in June of 2007. The District anticipates to be released from fiscal emergency by the state in December of 2006.

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. In June of 2005, the state legislature passed H.B. 66 which made several changes to state school funding, one of the changes being the phase out and elimination of Tangible Personal Property Taxes.

This District has anticipated a decline in funding due to declining enrollment. The District continues to lose students to neighboring districts as they go to open enrollment; charter schools and electronic schools. When those students leave, the state funding also decreases. The anticipated collection of the emergency levy in 2006 will be offset for the next two years due to projected decreases in enrollment, decreases in state funding and the repayment of the solvency loan. Current cost cutting measures will continue unless other revenue sources become available. All of the District's financial abilities will be needed to meet the financial challenges in 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 Nancy A. McPeak, Treasurer, Bristol Local School District, 1845 Greenville Rd. NW, P.O. Box 260, Bristolville, OH 44402-0260.



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

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 861,863
Receivables:	
Taxes . . . . .	2,796,354
Accounts . . . . .	3,756
Materials and supplies inventory . . . . .	2,781
Capital assets:	
Land . . . . .	91,792
Depreciable capital assets, net . . . . .	9,474,440
Total capital assets, net . . . . .	9,566,232
 Total assets. . . . .	 13,230,986
<b>Liabilities:</b>	
Accounts payable. . . . .	81,877
Accrued wages and benefits . . . . .	466,126
Pension obligation payable. . . . .	84,200
Intergovernmental payable . . . . .	6,687
Deferred revenue . . . . .	2,586,927
Accrued interest payable . . . . .	6,696
Long-term liabilities:	
Due within one year. . . . .	334,528
Due in more than one year . . . . .	2,418,815
Total liabilities . . . . .	5,985,856
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	7,755,548
Restricted for:	
Debt service. . . . .	80,545
Capital projects . . . . .	339,001
State funded programs. . . . .	2,596
Student activities. . . . .	38,573
Other purposes . . . . .	692,777
Unrestricted (deficit) . . . . .	(1,663,910)
 Total net assets . . . . .	 \$ 7,245,130

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, 2006**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,278,701	\$ 580,169	\$ 6,766	\$ 9,216	\$ (2,682,550)
Special . . . . .	561,946	-	221,976	-	(339,970)
Vocational . . . . .	910	-	-	-	(910)
Other . . . . .	426,834	-	12,479	-	(414,355)
Support services:					
Pupil . . . . .	209,929	-	6,253	-	(203,676)
Instructional staff . . . . .	139,878	-	1,747	-	(138,131)
Board of education . . . . .	13,608	-	-	-	(13,608)
Administration . . . . .	432,821	-	11,000	-	(421,821)
Fiscal . . . . .	176,062	61	-	-	(176,001)
Business . . . . .	32,343	-	-	-	(32,343)
Operations and maintenance . . . . .	572,574	3,731	-	-	(568,843)
Pupil transportation . . . . .	445,522	-	49,346	-	(396,176)
Central . . . . .	6,000	-	-	-	(6,000)
Operation of non-instructional services . . . . .	17,957	-	-	-	(17,957)
Extracurricular activities . . . . .	153,582	38,092	97,735	-	(17,755)
Food service operations . . . . .	178,002	136,650	96,418	-	55,066
Interest and fiscal charges . . . . .	104,823	-	-	-	(104,823)
<b>Totals . . . . .</b>	<b>\$ 6,751,492</b>	<b>\$ 758,703</b>	<b>\$ 503,720</b>	<b>\$ 9,216</b>	<b>(5,479,853)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	1,502,338
Special Revenue . . . . .	531,607
Debt Service . . . . .	172,782
Capital Projects . . . . .	93,473
Grants and entitlements not restricted to specific programs . . . . .	3,827,041
Investment earnings . . . . .	27,253
Miscellaneous . . . . .	69,760
<b>Total general revenues . . . . .</b>	<b>6,224,254</b>
Change in net assets . . . . .	744,401
<b>Net assets at beginning of year . . . . .</b>	<b>6,500,729</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 7,245,130</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<b>General</b>	<b>Emergency Levy</b>	<b>Debt Service</b>	<b>Permanent Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 100,251	\$ 74,130	\$ 363,662	\$ 107,040	\$ 645,083
Receivables:						
Taxes . . . . .	1,743,454	733,010	175,063	101,387	43,440	2,796,354
Accounts . . . . .	2,540	-	-	-	1,216	3,756
Materials and supplies inventory . . . . .	-	-	-	-	2,781	2,781
Restricted assets:						
Equity in pooled cash and cash equivalents . . . . .	216,780	-	-	-	-	216,780
<b>Total assets . . . . .</b>	<b>\$ 1,962,774</b>	<b>\$ 833,261</b>	<b>\$ 249,193</b>	<b>\$ 465,049</b>	<b>\$ 154,477</b>	<b>\$ 3,664,754</b>
<b>Liabilities:</b>						
Accounts payable . . . . .	\$ 42,944	\$ 6,622	\$ -	\$ 32,255	\$ 56	\$ 81,877
Accrued wages and benefits . . . . .	447,090	-	-	-	19,037	466,127
Compensated absences payable . . . . .	22,476	-	-	-	6,341	28,817
Pension obligation payable . . . . .	74,329	-	-	-	9,871	84,200
Intergovernmental payable . . . . .	6,240	-	-	-	446	6,686
Deferred revenue . . . . .	1,730,169	727,425	173,729	100,614	43,109	2,775,046
<b>Total liabilities . . . . .</b>	<b>2,323,248</b>	<b>734,047</b>	<b>173,729</b>	<b>132,869</b>	<b>78,860</b>	<b>3,442,753</b>
<b>Fund Balances:</b>						
Reserved for encumbrances . . . . .	7,035	1,035	-	-	6,621	14,691
Reserved for materials and supplies inventory . . . . .	-	-	-	-	2,781	2,781
Reserved for property tax unavailable for appropriation . . . . .	13,285	5,585	1,334	773	331	21,308
Reserved for capital acquisition . . . . .	362,944	-	-	-	-	362,944
Reserved for school bus purchase . . . . .	38,610	-	-	-	-	38,610
Reserved for textbooks/instructional supplies . . . . .	291,223	-	-	-	-	291,223
Reserved for debt service . . . . .	-	-	74,130	-	-	74,130
Unreserved, undesignated (deficit), reported in:						
General fund . . . . .	(1,073,571)	-	-	-	-	(1,073,571)
Special revenue funds . . . . .	-	92,594	-	-	65,884	158,478
Capital projects funds . . . . .	-	-	-	331,407	-	331,407
<b>Total fund balances (deficits) . . . . .</b>	<b>(360,474)</b>	<b>99,214</b>	<b>75,464</b>	<b>332,180</b>	<b>75,617</b>	<b>222,001</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 1,962,774</b>	<b>\$ 833,261</b>	<b>\$ 249,193</b>	<b>\$ 465,049</b>	<b>\$ 154,477</b>	<b>\$ 3,664,754</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>	\$	222,001
<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.		9,566,232
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		188,119
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(6,696)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Solvency loan	(172,500)	
General obligation bonds	(1,895,804)	
Asbestos loan payable	(51,863)	
Compensated absences	(604,359)	
Total	(2,724,526)	
<b>Net assets of governmental activities</b>	\$	7,245,130

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2006**

	<u>General</u>	<u>Emergency Levy</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 1,495,942	\$ 492,124	\$ 175,461	\$ 94,103	\$ 29,103	\$ 2,286,733
Tuition. . . . .	160,406	-	-	-	-	160,406
Charges for services. . . . .	-	-	-	-	136,650	136,650
Earnings on investments. . . . .	27,253	-	-	-	-	27,253
Extracurricular. . . . .	-	-	-	-	135,827	135,827
Classroom materials and fees . . . . .	-	-	-	-	11,663	11,663
Other local revenues . . . . .	474,235	-	-	-	3,625	477,860
Intergovernmental - State . . . . .	3,166,471	61,835	586,433	12,302	43,500	3,870,541
Intergovernmental - Federal. . . . .	-	-	-	-	375,538	375,538
Total revenues. . . . .	<u>5,324,307</u>	<u>553,959</u>	<u>761,894</u>	<u>106,405</u>	<u>735,906</u>	<u>7,482,471</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	3,074,415	10,117	-	25,027	28,323	3,137,882
Special. . . . .	248,984	70,419	-	-	229,700	549,103
Vocational. . . . .	910	-	-	-	-	910
Other . . . . .	408,124	5,847	-	-	12,863	426,834
Support Services:						
Pupil. . . . .	195,716	6,527	-	-	6,225	208,468
Instructional staff . . . . .	132,815	-	-	-	1,734	134,549
Board of education . . . . .	11,408	2,200	-	-	-	13,608
Administration. . . . .	419,679	3,784	-	-	4,973	428,436
Fiscal . . . . .	157,774	11,972	2,791	1,600	495	174,632
Business . . . . .	32,343	-	-	-	-	32,343
Operations and maintenance. . . . .	265,135	240,290	-	7,552	31,467	544,444
Pupil transportation . . . . .	238,595	99,095	-	22,108	54,563	414,361
Central. . . . .	-	-	-	-	6,000	6,000
Food service operations . . . . .	-	-	-	-	186,729	186,729
Extracurricular activities. . . . .	17,359	-	-	-	134,613	151,972
Facilities acquisition and construction . . . .	-	3,750	-	33,112	-	36,862
Debt service:						
Principal retirement . . . . .	-	-	671,038	-	-	671,038
Interest and fiscal charges . . . . .	-	-	87,909	-	-	87,909
Total expenditures . . . . .	<u>5,203,257</u>	<u>454,001</u>	<u>761,738</u>	<u>89,399</u>	<u>697,685</u>	<u>7,206,080</u>
Excess of revenues over expenditures . . . .	<u>121,050</u>	<u>99,958</u>	<u>156</u>	<u>17,006</u>	<u>38,221</u>	<u>276,391</u>
<b>Other financing sources (uses):</b>						
Transfers in. . . . .	31,933	-	-	-	2,607	34,540
Transfers (out) . . . . .	-	(34,540)	-	-	-	(34,540)
Total other financing sources (uses) . . . . .	<u>31,933</u>	<u>(34,540)</u>	<u>-</u>	<u>-</u>	<u>2,607</u>	<u>-</u>
Net change in fund balances . . . . .	152,983	65,418	156	17,006	40,828	276,391
<b>Fund balances (deficits) at beginning of year. . . . .</b>	<b>(513,457)</b>	<b>33,796</b>	<b>75,308</b>	<b>315,174</b>	<b>35,056</b>	<b>(54,123)</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(267)</b>	<b>(267)</b>
<b>Fund balances (deficit) at end of year . . . .</b>	<b>\$ (360,474)</b>	<b>\$ 99,214</b>	<b>\$ 75,464</b>	<b>\$ 332,180</b>	<b>\$ 75,617</b>	<b>\$ 222,001</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2006**

**Net change in fund balances - total governmental funds** \$ 276,391

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$261,525) exceeded capital outlays (\$19,020) in the current period. (242,505)

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

Delinquent property taxes	\$	13,467	
Intergovernmental		(45)	
<b>Total</b>			13,422

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed. (267)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. 671,038

Accreted interest accrued on capital appreciation bonds in not reported in the funds, however, the statement of activities this is reported as an expense as it increase liabilities on the statement of net assets. (16,914)

Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. 43,236

**Change in net assets of governmental activities** \$ 744,401

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, 2006**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,595,807	\$ 1,492,265	\$ 1,492,265	\$ -
Tuition. . . . .	171,535	160,406	160,406	-
Earnings on investments. . . . .	29,142	23,569	23,252	3,683
Other local revenues. . . . .	445,638	416,725	416,725	-
Intergovernmental - State . . . . .	3,386,173	3,166,471	3,166,471	-
Total revenues. . . . .	<u>5,628,295</u>	<u>5,259,436</u>	<u>5,263,119</u>	<u>3,683</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,378,822	3,094,212	3,094,211	1
Special. . . . .	287,070	262,889	262,889	-
Vocational. . . . .	1,011	926	926	-
Other . . . . .	218	200	200	-
Support Services:				
Pupil. . . . .	214,848	196,751	196,751	-
Instructional staff . . . . .	154,607	141,584	141,584	-
Board of education . . . . .	12,866	11,782	11,782	-
Administration. . . . .	481,723	441,146	441,146	-
Fiscal . . . . .	158,461	145,113	145,113	-
Business . . . . .	35,318	32,343	32,343	-
Operations and maintenance. . . . .	307,681	281,764	281,764	-
Pupil transportation . . . . .	258,473	236,701	236,701	-
Extracurricular activities. . . . .	16,973	15,543	15,543	-
Total expenditures . . . . .	<u>5,308,071</u>	<u>4,860,954</u>	<u>4,860,953</u>	<u>1</u>
Excess of revenues over expenditures. . . . .	<u>320,224</u>	<u>398,482</u>	<u>402,166</u>	<u>3,684</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	58,783	54,970	54,970	-
Transfers in . . . . .	34,148	31,933	31,933	-
Advances in. . . . .	17,571	16,432	16,432	-
Miscellaneous uses of funds . . . . .	(438,701)	(401,748)	(401,748)	-
Total other financing sources (uses) . . . . .	<u>(328,199)</u>	<u>(298,413)</u>	<u>(298,413)</u>	<u>-</u>
Net change in fund balance . . . . .	(7,975)	100,069	103,753	3,684
<b>Fund balance at beginning of year. . . . .</b>	<b>55,073</b>	<b>55,073</b>	<b>55,073</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>7,975</b>	<b>7,975</b>	<b>7,975</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 55,073</u></b>	<b><u>\$ 163,117</u></b>	<b><u>\$ 166,801</u></b>	<b><u>\$ 3,684</u></b>

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, 2006

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 474,126	\$ 489,844	\$ 489,844	\$ -
Intergovernmental - State . . . . .	59,851	61,835	61,835	-
Total revenue . . . . .	<u>533,977</u>	<u>551,679</u>	<u>551,679</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,134	10,116	10,116	-
Special. . . . .	77,508	70,419	70,419	-
Other. . . . .	7,621	6,924	6,924	-
Support Services:				
Pupil. . . . .	7,184	6,527	6,527	-
Board of education . . . . .	2,421	2,200	2,200	-
Administration. . . . .	4,165	3,784	3,784	-
Fiscal . . . . .	13,177	11,972	11,972	-
Operations and maintenance. . . . .	265,160	240,907	240,905	2
Pupil transportation . . . . .	104,122	94,599	94,599	-
Facilities acquisition and construction . . . . .	4,128	3,750	3,750	-
Total expenditures . . . . .	<u>496,620</u>	<u>451,198</u>	<u>451,196</u>	<u>2</u>
Excess of revenues over expenditures. . . . .	<u>37,357</u>	<u>100,481</u>	<u>100,483</u>	<u>2</u>
<b>Other financing uses:</b>				
Transfers (out) . . . . .	<u>(38,018)</u>	<u>(34,541)</u>	<u>(34,541)</u>	<u>-</u>
Total other financing uses . . . . .	<u>(38,018)</u>	<u>(34,541)</u>	<u>(34,541)</u>	<u>-</u>
Net change in fund balance . . . . .	(661)	65,940	65,942	2
<b>Fund balance at beginning of year. . . . .</b>	30,694	30,694	30,694	-
<b>Prior year encumbrances appropriated . . . . .</b>	661	661	661	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 30,694</u>	<u>\$ 97,295</u>	<u>\$ 97,297</u>	<u>\$ 2</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, 2006**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 4,000	\$ 16,081
Total assets . . . . .	4,000	\$ 16,081
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 16,081
Total liabilities . . . . .	-	\$ 16,081
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	4,000	
Total net assets . . . . .	\$ 4,000	

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, 2006**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 4,000
Total additions. . . . .	4,000
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,750
Change in net assets . . . . .	2,250
<b>Net assets at beginning of year. . . . .</b>	<b>1,750</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 4,000</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

The Bristol Local School District (the "District") is located in Trumbull County and encompasses all of the Township of Bristol, 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 548<sup>th</sup> largest by enrollment among the 615 public school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 27 non-certified and 48 certificated personnel to provide services to approximately 777 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's 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 these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

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

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

*JOINT 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 the Trumbull County Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

*PUBLIC ENTITY RISK POOLS*

Trumbull County School Insurance Benefits Consortium

See Note 11 (B) for information regarding this consortium.

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:

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.

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

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

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

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 and payment of general obligation bonds and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and loans payable.

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 are used to 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.

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.

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

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

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

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.

The private-purpose trust fund is reported using the economic resources measurement focus. 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.

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.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 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.

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.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

The amounts reported in the budgetary statements reflect the amounts in the original and 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 and function 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 2006, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

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

Under existing Ohio statutes all investment 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 2006 amounted to \$27,253, which includes \$22,012 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 are reported as investments.



**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when received. 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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$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.

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.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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.

**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 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 encumbrances, property taxes unavailable for appropriation, textbooks/instructional supplies, materials and supplies inventory, school bus purchases, debt service and capital acquisition. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**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 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 textbooks/instructional materials and capital acquisitions. In addition, the District reports restricted assets for school bus purchases. See Note 16 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 2006.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 360,474
<u>Nonmajor Funds</u>	
Classroom Facility Maintenance	637
Management Information Systems	5
School Net Professional Development	4
Poverty Aid	423
Title VI-B	47
Title I	7,897
Title II-A	61

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 result from adjustments for accrued liabilities.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$65,364. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, the District's entire bank balance of \$78,756 was covered by Federal Deposit Insurance Corporation.

**B. Investments**

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

<u>Investment type</u>	<u>Balance at</u>	<u>Investment Maturity</u>
	<u>Fair Value</u>	6 months or <u>less</u>
STAR Ohio	<u>\$ 816,580</u>	<u>\$ 816,580</u>

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio a AAAM money market rating.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 816,580</u>	<u>100.00%</u>

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Activities**

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

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 65,364
Investments	<u>816,580</u>
Total	<u>\$ 881,944</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 861,863
Private-purpose trust funds	4,000
Agency funds	<u>16,081</u>
Total	<u>\$ 881,944</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

<u>Transfers from Emergency Levy to:</u>	<u>Amount</u>
General Fund	\$ 31,933
Nonmajor Governmental Funds	<u>2,607</u>
Total	<u>\$ 34,540</u>

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.

**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.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

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

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

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

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

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advanced 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, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.



**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

The amount available as an advance at June 30, 2006 was \$13,285 in the general fund, \$1,334 in the debt service fund \$5,585 in the Emergency Levy fund, \$331 in the Classroom Facilities fund (a nonmajor governmental fund), and \$773 in the Permanent Improvement fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2005 was \$9,608 in the general fund, \$1,252 in the debt service fund (a nonmajor governmental fund), \$3,306 in the Emergency Levy fund, \$320 in the Classroom Facilities fund (a nonmajor governmental fund), and \$646 in the Permanent Improvement capital projects fund.

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

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

	2005 Second		2006 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 71,088,950	96.11	\$ 84,567,510	96.14
Public Utility Personal	1,937,010	2.62	694,964	0.79
Tangible Personal Property	<u>937,938</u>	<u>1.27</u>	<u>2,698,610</u>	<u>3.07</u>
Total	<u>\$ 73,963,898</u>	<u>100.00</u>	<u>\$ 87,961,084</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.90		\$ 51.80	

**NOTE 7 - RECEIVABLES**

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

**Governmental Activities:**

Taxes	\$ 2,796,354
Accounts	<u>3,756</u>
Total	<u>\$ 2,800,110</u>

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

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
<b>Governmental Activities:</b>				
<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	11,162,285	19,020	-	11,181,305
Furniture and equipment	661,655	-	-	661,655
Vehicles	410,517	-	-	410,517
Total capital assets, being depreciated	<u>12,256,283</u>	<u>19,020</u>	<u>-</u>	<u>12,275,303</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(21,826)	-	-	(21,826)
Building and improvements	(1,744,775)	(213,012)	-	(1,957,787)
Furniture and equipment	(511,418)	(17,581)	-	(528,999)
Vehicles	(261,319)	(30,932)	-	(292,251)
Total accumulated depreciation	<u>(2,539,338)</u>	<u>(261,525)</u>	<u>-</u>	<u>(2,800,863)</u>
Governmental activities capital assets, net	<u>\$ 9,808,737</u>	<u>\$ (242,505)</u>	<u>\$ -</u>	<u>\$ 9,566,232</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 173,694
Special	11,694
<u>Support Service:</u>	
Pupil	1,415
Instructional staff	6,730
Administration	6,118
Fiscal	523
Operations and Maintenance	10,852
Pupil Transportation	30,932
Operation of non-instructional	17,957
Extracurricular Activities	1,610
Total depreciation expense	<u>\$ 261,525</u>

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Interest Rate	Balance Outstanding 06/30/05	Additions	Reductions	Balance Outstanding 06/30/06	Amounts Due in One Year
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
Current interest bonds	3.9-5.25%	\$ 1,720,000	\$ -	\$ -	\$ 1,720,000	\$ -
Capital appreciation bonds	8.15%	253,890	16,914	(95,000)	175,804	95,000
Total general obligation bonds payable		<u>\$ 1,973,890</u>	<u>\$ 16,914</u>	<u>\$ (95,000)</u>	<u>\$ 1,895,804</u>	<u>\$ 95,000</u>
<u>Other Long-Term Obligations:</u>						
Asbestos loan	N/A	\$ 62,901	\$ -	\$ (11,038)	\$ 51,863	\$ 11,038
State solvency loan	N/A	737,500	-	(565,000)	172,500	172,500
Compensated absences	N/A	681,181	13,520	(61,525)	633,176	55,990
Total other long-term obligations		<u>\$ 1,481,582</u>	<u>\$ 13,520</u>	<u>\$ (637,563)</u>	<u>\$ 857,539</u>	<u>\$ 239,528</u>
Total governmental activities		<u>\$ 3,455,472</u>	<u>\$ 30,434</u>	<u>\$ (732,563)</u>	<u>\$ 2,753,343</u>	<u>\$ 334,528</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, 2006 was \$90,684. A total of \$85,120 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2006.

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*State Solvency Loan:* During fiscal years 2004 and 2005, the District received a loan from the Ohio Department of Education for fund insolvency relief. 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 will be recorded as expenditures of the debt service fund, from current operating revenue.

- C. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2006, are as follows:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ -	\$ 87,908	\$ 87,908	\$ 95,000	\$ -	\$ 95,000
2008	-	87,908	87,908	95,000	-	95,000
2009	95,000	85,675	180,675	-	-	-
2010	95,000	81,162	176,162	-	-	-
2011	100,000	76,458	176,458	-	-	-
2012-2016	595,000	298,356	893,356	-	-	-
2017-2021	835,000	116,800	951,800	-	-	-
Total	<u>\$ 1,720,000</u>	<u>\$ 834,267</u>	<u>\$ 2,554,267</u>	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>

Year Ended	Asbestos Loan			Solvency Loan		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 11,038	\$ -	\$ 11,038	\$ 172,500	\$ -	\$ 172,500
2008	11,038	-	11,038	-	-	-
2009	11,038	-	11,038	-	-	-
2010	11,038	-	11,038	-	-	-
2011	1,542	-	1,542	-	-	-
2012-2015	6,169	-	6,169	-	-	-
Total	<u>\$ 51,863</u>	<u>\$ -</u>	<u>\$ 51,863</u>	<u>\$ 172,500</u>	<u>\$ -</u>	<u>\$ 172,500</u>

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$6,181,278 (including available funds of \$75,464) and an unvoted debt margin of \$87,961.

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

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

**NOTE 10 - 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 during the first year of eligibility, payment is made for one-third of the total sick leave accumulation, up to a maximum accumulation of eighty days for both certificated and classified employees. Upon retirement after the first year of eligibility, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of forty-five days, plus 15 percent of accrued sick leave over the maximum days accrued. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

**B. Insurance Benefits**

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

**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 11 - 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.

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

**B. Health Insurance (Shared Risk Pool)**

The District has joined together with other school districts in the state to form the Trumbull County School Insurance Benefits Consortium Association, a public entity risk pool currently operating as a common risk management and insurance program for 16 member school districts in Trumbull County. The District pays a monthly premium to Trumbull County School Insurance Benefits Consortium Association for its insurance coverage. It is intended that the Trumbull County School Insurance Benefits Consortium Association will be self-supporting through member premiums. The monthly premium includes a specific and aggregate stop-loss premium to 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 participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**C. OSBA Group Workers' Compensation Rating Plan (Insurance Purchasing Pool)**

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

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

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 12 - PENSION PLANS – (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$64,229, \$65,482, and \$76,048, respectively. 72.51 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$17,657 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 12 - PENSION PLANS – (Continued)**

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

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$308,369, \$325,852 and \$391,078, respectively. 85.59 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$44,445 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$150 made by the District and \$143 made by the 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, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$23,721 for fiscal year 2006.

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

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$33,083 to fund health care benefits, including the surcharge.

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

**NOTE 14 - 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 and Emergency Levy Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and Emergency Levy Fund are as follows:

<b>Net Change in Fund Balance</b>		Emergency
	<u>General Fund</u>	<u>Levy</u>
Budget basis	\$ 103,753	\$ 65,942
Net adjustment for revenue accruals	61,188	2,280
Net adjustment for expenditure accruals	(392,283)	(5,759)
Net adjustment for other sources/uses	330,346	1
Adjustment for encumbrances	<u>49,979</u>	<u>2,954</u>
GAAP basis	<u>\$ 152,983</u>	<u>\$ 65,418</u>

**NOTE 15 - 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.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by state statute.

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

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

**NOTE 16 - STATUTORY RESERVES – (Continued)**

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ 210,443	\$ 243,991
Current year set-aside requirement	118,953	118,953
Qualifying disbursements	<u>(38,173)</u>	<u>-</u>
Total	<u>\$ 291,223</u>	<u>\$ 362,944</u>
Balance carried forward to FY 2007	<u>\$ 291,223</u>	<u>\$ 362,944</u>
Amount to limit set-aside to cash available	<u>\$ (113,053)</u>	<u>\$ (362,944)</u>
Total restricted	<u>\$ 178,170</u>	<u>\$ -</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials and capital acquisition due to budget cuts. However, the District does not have the cash available in the general fund to restrict the entire balance of the set-asides. Restricted cash is presented to the extent of the cash balance in the general fund at fiscal year-end. The entire balances of the set-asides are reported as reserved fund balance in the general fund.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The balance in the monies restricted for school bus purchases was \$38,610 at June 30, 2006. This balance is reported as restricted equity in pooled cash and reserved fund balance.

**NOTE 17 – FISCAL EMERGENCY**

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 was released from fiscal emergency status on December 5, 2006.

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# Mary Taylor, CPA

## Auditor of State

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

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 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, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 13, 2006, we reported one matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However we noted one immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated April 13, 2007.

Bristol Local School District  
Trumbull County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, and the Board of Education, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 13, 2007



**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 31, 2007**