



**Auditor of State
Betty Montgomery**

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Auditor of State Betty Montgomery

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, 2005, 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, 2005, 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.

As described in Note 3, the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

As described in Note 17 to the financial statements, the District has been declared to be in fiscal emergency under the criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the District's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 24, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$31,070 which represents a 0.48% increase from 2004.
- General revenues accounted for \$5,755,671 in revenue or 79.50% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,483,944 or 20.50% of total revenues of \$7,239,615.
- The District had \$7,208,545 in expenses related to governmental activities; only \$1,483,944 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,755,671 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, Emergency Levy fund, and Permanent Improvement fund. The general fund had \$5,734,911 in revenues and other financing sources and \$5,668,436 in expenditures and other financing uses. During fiscal 2005, the general fund's fund deficit decreased \$66,475 from a deficit of \$579,932 to \$513,457.
- The emergency levy fund had \$339,240 in revenues and \$293,442 in expenditures. During fiscal 2005, the emergency levy fund's fund balance increased \$45,798 from a deficit of \$12,002 to a balance of \$33,796.
- The permanent improvement fund had \$105,766 in revenues and \$21,976 in expenditures. During fiscal 2005, the permanent improvement fund's fund balance increased \$83,790 from \$231,384 to \$315,174.

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 three major funds: the general, emergency levy, and permanent improvement fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" 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, 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, 2005
UNAUDITED

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 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 2,918,035	\$ 2,500,830
Capital assets, net	<u>9,808,737</u>	<u>10,076,593</u>
Total assets	<u>12,726,772</u>	<u>12,577,423</u>
<u>Liabilities</u>		
Current liabilities	2,770,571	2,643,899
Long-term liabilities	<u>3,455,472</u>	<u>3,463,865</u>
Total liabilities	<u>6,226,043</u>	<u>6,107,764</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,763,003	8,030,859
Restricted	937,888	546,993
Unrestricted (deficit)	<u>(2,200,162)</u>	<u>(2,108,193)</u>
Total net assets	<u>\$ 6,500,729</u>	<u>\$ 6,469,659</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$6,500,729. At year-end, restricted net assets were \$937,888.

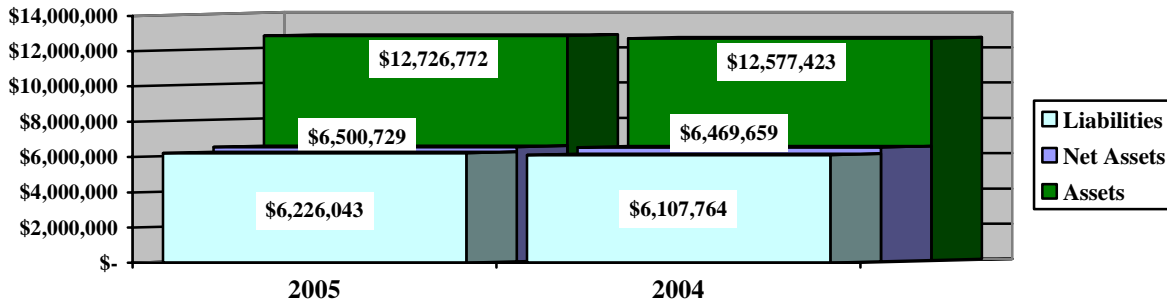
At year-end, capital assets represented 77.07% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$7,763,003. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$937,888, 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 \$2,200,162.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 949,345	\$ 1,075,188
Operating grants and contributions	522,229	471,192
Capital grants and contributions	12,370	19,800
General revenues:		
Property taxes	1,990,283	1,964,453
Grants and entitlements	3,701,377	3,980,131
Investment earnings	11,112	3,873
Other	52,899	56,804
Total revenues	<u>7,239,615</u>	<u>7,571,441</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Change in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,626,282	\$ 3,429,700
Special	555,358	695,474
Vocational	-	10,824
Other	560,782	595,031
Support services:		
Pupil	202,510	271,479
Instructional staff	147,489	269,578
Board of education	13,938	13,774
Administration	487,390	496,718
Fiscal	180,316	183,653
Business	29,334	39,032
Operations and maintenance	580,004	722,240
Pupil transportation	399,802	457,429
Central	6,000	9,000
Operation of non-instructional services	-	234
Extracurricular activities	136,493	159,704
Food service operations	176,782	275,117
Interest and fiscal charges	<u>106,065</u>	<u>120,627</u>
Total expenses	<u>7,208,545</u>	<u>7,749,614</u>
Change in net assets	31,070	(178,173)
Net assets beginning of year	<u>6,469,659</u>	<u>6,647,832</u>
Net assets end of year	<u>\$ 6,500,729</u>	<u>\$ 6,469,659</u>

Governmental Activities

Net assets of the District's governmental activities increased \$31,070. Total governmental expenses of \$7,208,545 were offset by program revenues of \$1,483,944 and general revenues of \$5,755,671. Program revenues supported 20.59% 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 78.62% of total governmental revenue. Real estate property is reappraised every six years.

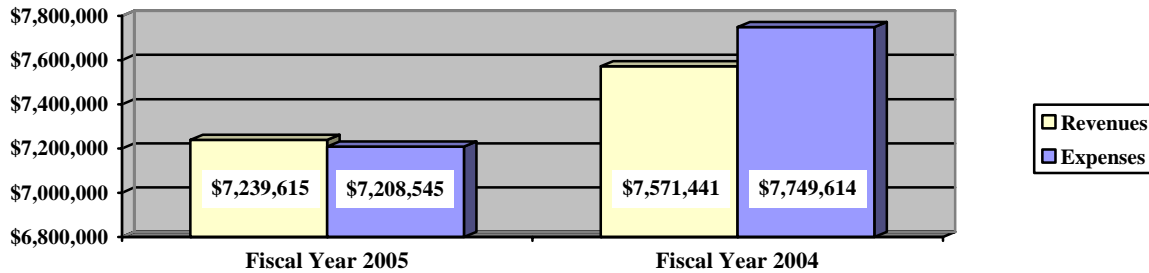
The District's financial condition has declined over the years, primarily due to enrollment declines. Future increases in state funding are projected to be inflationary.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

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

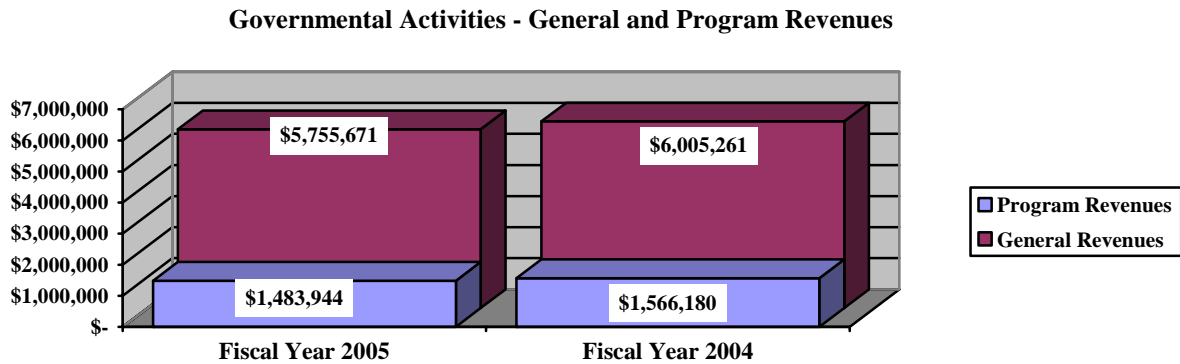
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 3,626,282	\$ 3,337,411	\$ 3,429,700	\$ 3,088,846
Special	555,358	356,717	695,474	550,345
Vocational	-	-	10,824	10,824
Other	560,782	42,404	595,031	9,552
Support services:				
Pupil	202,510	202,510	271,479	271,479
Instructional staff	147,489	144,177	269,578	266,653
Board of education	13,938	13,938	13,774	13,774
Administration	487,390	482,167	496,718	491,718
Fiscal	180,316	178,779	183,653	183,653
Business	29,334	29,334	39,032	39,032
Operations and maintenance	580,004	549,621	722,240	718,669
Pupil transportation	399,802	316,769	457,429	350,402
Central	6,000	-	9,000	-
Operation of non-instructional services	-	-	234	3
Extracurricular activities	136,493	8,660	159,704	60,295
Food service operations	176,782	(43,951)	275,117	7,562
Interest and fiscal charges	106,065	106,065	120,627	120,627
Total expenses	<u>\$ 7,208,545</u>	<u>\$ 5,724,601</u>	<u>\$ 7,749,614</u>	<u>\$ 6,183,434</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The dependence upon tax and other general revenues for governmental activities is apparent, 78.79% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.41%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 15) reported a combined fund deficit of \$54,123, which is higher than last year's restated deficit of \$309,506 (see Note 3.A). The schedule below indicates the fund balances/deficits and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance/(Deficit) <u>June 30, 2005</u>	Restated Fund Balance/(Deficit) <u>June 30, 2004</u>	Increase / (Decrease)
General	\$ (513,457)	\$ (579,932)	\$ 66,475
Emergency Levy	33,796	(12,002)	45,798
Permanent Improvement	315,174	231,384	83,790
Other Governmental	<u>110,364</u>	<u>51,044</u>	<u>59,320</u>
Total	<u>\$ (54,123)</u>	<u>\$ (309,506)</u>	<u>\$ 255,383</u>

General Fund

The District's general fund deficit increased \$66,475. The increase in fund 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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	2005	Restated 2004	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,364,038	\$ 1,335,923	2.10 %
Tuition	164,198	210,034	(21.82) %
Earnings on investments	11,112	3,748	196.48 %
Intergovernmental	3,286,411	3,903,285	(15.80) %
Other revenues	<u>564,152</u>	<u>648,345</u>	(12.99) %
Total	<u>\$ 5,389,911</u>	<u>\$ 6,101,335</u>	(11.66) %
<u>Expenditures</u>			
Instruction	\$ 4,026,956	\$ 4,276,965	(5.85) %
Support services	1,629,374	1,968,677	(17.24) %
Operation of non-instructional services	-	10	100.00 %
Extracurricular activities	2,300	75,577	(96.96) %
Facilities acquisition and construction	<u>3,750</u>	<u>3,200</u>	100.00 %
Total	<u>\$ 5,662,380</u>	<u>\$ 6,324,429</u>	(10.47) %

Emergency Levy Fund

The District's Emergency Levy fund's fund balance increased \$45,798 from a deficit of \$12,002 to a balance of \$33,796. This increase was due to a decrease in expenses.

Permanent Improvement Fund

The District's permanent improvement fund's fund balance increased \$83,790 from \$231,384 to \$315,174. This increase was due to revenues exceeding 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 2005, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$5,767,924, which was lower than the original budgeted revenues estimate of \$6,325,622. Actual revenues and other financing sources for fiscal 2005 were \$5,769,410. This represents a \$1,486 increase over final budgeted revenues.

General fund final and actual appropriations (appropriated expenditures plus other financing uses) were \$5,784,189. Original budgeted expenditures for fiscal year 2005 were \$5,920,967.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$9,808,737 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 2005 balances compared to balances of 2004:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 91,792	\$ 91,792
Land improvements	-	-
Building and improvements	9,417,510	9,629,760
Furniture and equipment	150,237	174,380
Vehicles	<u>149,198</u>	<u>180,661</u>
Total	<u>\$ 9,808,737</u>	<u>\$ 10,076,593</u>

There were no additions and total disposals were \$2,261 (net of accumulated depreciation). The overall decrease in capital assets of \$267,856 is primarily due to the recording of \$265,595 in depreciation expense for fiscal 2005.

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

Debt Administration

At June 30, 2005, the District had \$2,774,291 in general obligation bonds and loans outstanding. Of this total, \$671,038 is due within one year and \$2,103,253 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
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 1,973,890	\$ 2,045,734
Asbestos loan	62,901	73,939
State solvency loan	<u>737,500</u>	<u>785,000</u>
Total	<u>\$ 2,774,291</u>	<u>\$ 2,904,673</u>

At June 30, 2005, the District's overall legal debt margin was \$4,758,169 with an unvoted debt margin of \$73,964.

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, 2005
UNAUDITED

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District was declared to be in Fiscal Emergency on October 14, 2003. 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 millions was borrowed from the State Solvency Assistance Fund. Repayment of the loan began in August of 2004 and will conclude in June of 2007.

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

The District has anticipated a decline in funding due to declining enrollment. The District continues to lose students to neighboring districts as they also go to open enrollment; charter schools and electronic schools. When those students leave, the state funding is also decreased. The anticipated collection of 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 Ms. Nancy McPeak, Treasurer, Bristol Local School District, 1845 Greenville NW, P.O. Box 260, Bristolville, Ohio 44402-0260.

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 555,034
Receivables:	
Taxes	2,358,541
Intergovernmental	1,412
Materials and supplies inventory	3,048
Capital assets:	
Land	91,792
Depreciable capital assets, net	9,716,945
Total capital assets, net	9,808,737
Total assets.	12,726,772
Liabilities:	
Accounts payable.	8,701
Accrued wages and benefits	408,296
Pension obligation payable.	132,297
Intergovernmental payable	45,824
Deferred revenue	2,168,757
Accrued interest payable	6,696
Long-term liabilities:	
Due within one year.	730,802
Due in more than one year	2,724,670
Total liabilities	6,226,043
Net Assets:	
Invested in capital assets, net of related debt.	7,763,003
Restricted for:	
Debt service.	83,068
Capital projects	322,625
Locally funded programs.	1,714
State funded programs.	654
Federally funded programs.	40,744
Other purposes	489,083
Unrestricted (deficit)	(2,200,162)
Total net assets	\$ 6,500,729

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, 2005

	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
Governmental activities:					
Instruction:					
Regular	\$ 3,626,282	\$ 172,941	\$ 108,786	\$ 7,144	\$ (3,337,411)
Special	555,358	-	198,641	-	(356,717)
Other	560,782	511,537	6,841	-	(42,404)
Support services:					
Pupil	202,510	-	-	-	(202,510)
Instructional staff	147,489	-	3,312	-	(144,177)
Board of education.	13,938	-	-	-	(13,938)
Administration.	487,390	-	5,223	-	(482,167)
Fiscal	180,316	-	695	842	(178,779)
Business.	29,334	-	-	-	(29,334)
Operations and maintenance	580,004	-	25,999	4,384	(549,621)
Pupil transportation	399,802	5,158	77,875	-	(316,769)
Central	6,000	-	6,000	-	-
Extracurricular activities	136,493	127,833	-	-	(8,660)
Food service operations	176,782	131,876	88,857	-	43,951
Interest and fiscal charges	106,065	-	-	-	(106,065)
Totals	\$ 7,208,545	\$ 949,345	\$ 522,229	\$ 12,370	(5,724,601)

General Revenues:

Property taxes levied for:	
General purposes	1,369,346
Special Revenue	345,087
Debt Service	182,190
Capital Projects	93,660
Grants and entitlements not restricted to specific programs	3,701,377
Investment earnings	11,112
Miscellaneous	52,899
Total general revenues	5,755,671
Change in net assets	31,070
Net assets at beginning of year.	6,469,659
Net assets at end of year	\$ 6,500,729

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Emergency Levy</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ -	\$ 31,355	\$ 318,824	\$ 141,807	\$ 491,986
Receivables:					
Taxes	1,497,502	515,352	100,616	245,071	2,358,541
Intergovernmental	-	-	-	1,412	1,412
Interfund loans	16,432	-	-	-	16,432
Materials and supplies inventory	-	-	-	3,048	3,048
Restricted assets:					
Equity in pooled cash and cash equivalents	63,048	-	-	-	63,048
Total assets	\$ 1,576,982	\$ 546,707	\$ 419,440	\$ 391,338	\$ 2,934,467
Liabilities:					
Accounts payable	\$ 3,484	\$ 865	\$ 4,296	\$ 56	\$ 8,701
Accrued wages and benefits	400,342	-	-	7,954	408,296
Compensated absences payable	33,586	-	-	-	33,586
Pension obligation payable	124,114	-	-	8,183	132,297
Intergovernmental payable	41,019	-	-	4,805	45,824
Interfund loans payable	-	-	-	16,432	16,432
Deferred revenue	1,487,894	512,046	99,970	243,544	2,343,454
Total liabilities	2,090,439	512,911	104,266	280,974	2,988,590
Fund Balances:					
Reserved for encumbrances	6,141	509	1,004	6,608	14,262
Reserved for materials and supplies inventory	-	-	-	3,048	3,048
Reserved for property tax unavailable for appropriation	9,608	3,306	646	1,572	15,132
Reserved for capital acquisition	243,991	-	-	-	243,991
Reserved for school bus purchase	34,649	-	-	-	34,649
Reserved for textbooks/instructional supplies	210,443	-	-	-	210,443
Reserved for debt service	-	-	-	74,056	74,056
Unreserved, undesignated (deficit), reported in:					
General fund	(1,018,289)	-	-	-	(1,018,289)
Special revenue funds	-	29,981	-	25,080	55,061
Capital projects funds	-	-	313,524	-	313,524
Total fund balances (deficits)	(513,457)	33,796	315,174	110,364	(54,123)
Total liabilities and fund balances	\$ 1,576,982	\$ 546,707	\$ 419,440	\$ 391,338	\$ 2,934,467

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, 2005

Total governmental fund balances (deficit)		\$ (54,123)
<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.		9,808,737
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 174,652	
Intergovernmental	45	
Total	174,697	174,697
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	737,500	
General obligation bonds	1,973,890	
Asbestos loan payable	62,901	
Compensated absences	647,595	
Total	3,421,886	(3,421,886)
Net assets of governmental activities		\$ 6,500,729

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, 2005

	General	Emergency Levy	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 1,364,038	\$ 299,814	\$ 93,396	\$ 210,166	\$ 1,967,414
Tuition.	164,198	-	-	-	164,198
Charges for services.	-	-	-	131,876	131,876
Earnings on investments.	11,112	-	-	-	11,112
Extracurricular.	-	-	-	130,072	130,072
Classroom materials and fees	-	-	-	9,027	9,027
Other local revenues	564,152	-	-	21,108	585,260
Intergovernmental - State	3,286,411	39,426	12,370	506,688	3,844,895
Intergovernmental - Federal.	-	-	-	372,847	372,847
Total revenues.	<u>5,389,911</u>	<u>339,240</u>	<u>105,766</u>	<u>1,381,784</u>	<u>7,216,701</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,133,946	-	12,691	124,459	3,271,096
Special.	383,142	-	-	195,715	578,857
Other	509,868	50,914	-	-	560,782
Support Services:					
Pupil.	202,856	-	-	-	202,856
Instructional staff	143,101	-	-	3,282	146,383
Board of education	13,938	-	-	-	13,938
Administration.	490,084	4,543	-	4,616	499,243
Fiscal	173,008	4,793	1,496	3,192	182,489
Business	29,334	-	-	-	29,334
Operations and maintenance.	344,296	165,513	5,107	33,805	548,721
Pupil transportation	232,757	67,679	-	74,296	374,732
Central.	-	-	-	6,000	6,000
Food service operations	-	-	-	168,012	168,012
Extracurricular activities.	2,300	-	-	132,584	134,884
Facilities acquisition and construction	3,750	-	2,682	-	6,432
Debt service:					
Principal retirement	-	-	-	498,538	498,538
Interest and fiscal charges	-	-	-	82,909	82,909
Total expenditures	<u>5,662,380</u>	<u>293,442</u>	<u>21,976</u>	<u>1,327,408</u>	<u>7,305,206</u>
Excess of revenues over (under) expenditures.	<u>(272,469)</u>	<u>45,798</u>	<u>83,790</u>	<u>54,376</u>	<u>(88,505)</u>
Other financing sources (uses):					
Transfers in.	-	-	-	6,056	6,056
Transfers (out)	(6,056)	-	-	-	(6,056)
Proceeds of solvency loan	345,000	-	-	-	345,000
Total other financing sources (uses)	<u>338,944</u>	<u>-</u>	<u>-</u>	<u>6,056</u>	<u>345,000</u>
Net change in fund balances	66,475	45,798	83,790	60,432	256,495
Fund balances (deficits) at beginning of year (restated)	(579,932)	(12,002)	231,384	51,044	(309,506)
Decrease in reserve for inventory	-	-	-	(1,112)	(1,112)
Fund balances (deficit) at end of year	\$ (513,457)	\$ 33,796	\$ 315,174	\$ 110,364	\$ (54,123)

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, 2005

0

Net change in fund balances - total governmental funds \$ 256,495

*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 exceeded capital outlays in the current period. (265,595)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (2,261)

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

Delinquent property taxes	\$ 22,869	
Intergovernmental	45	
Total		22,914

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed. (1,112)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. 498,538

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. (23,156)

The issuance of general obligation bonds are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (345,000)

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. (109,753)

Change in net assets of governmental activities \$ 31,070

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,502,286	\$ 1,360,549	\$ 1,360,549	\$ -
Tuition.	181,304	164,198	164,198	-
Earnings on investments.	10,627	9,624	11,110	1,486
Other local revenues.	588,050	532,568	532,568	-
Intergovernmental - State	3,628,781	3,286,411	3,286,411	-
Total revenues.	<u>5,911,048</u>	<u>5,353,350</u>	<u>5,354,836</u>	<u>1,486</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,244,156	3,168,443	3,168,443	-
Special.	403,280	393,868	393,868	-
Vocational.	1,744	1,703	1,703	-
Other	522,051	509,867	509,867	-
Support Services:				
Pupil.	216,730	211,672	211,672	-
Instructional staff	154,550	150,943	150,943	-
Board of education	13,489	13,174	13,174	-
Administration.	501,149	489,453	489,453	-
Fiscal	174,016	169,955	169,955	-
Business	33,305	32,528	32,528	-
Operations and maintenance.	350,183	342,010	342,010	-
Pupil transportation	237,259	231,722	231,722	-
Extracurricular activities.	4,879	4,765	4,765	-
Facilities acquisition and construction	3,840	3,750	3,750	-
Total expenditures	<u>5,860,631</u>	<u>5,723,853</u>	<u>5,723,853</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,417</u>	<u>(370,503)</u>	<u>(369,017)</u>	<u>1,486</u>
Other financing sources (uses):				
Refund of prior year expenditure	31,726	31,726	31,726	-
Transfers in	37,848	37,848	37,848	-
Transfers (out)	(43,904)	(43,904)	(43,904)	-
Advances (out)	(16,432)	(16,432)	(16,432)	-
Solvency loan.	345,000	345,000	345,000	-
Total other financing sources (uses)	<u>354,238</u>	<u>354,238</u>	<u>354,238</u>	<u>-</u>
Net change in fund balance	404,655	(16,265)	(14,779)	1,486
Fund balance at beginning of year.	<u>69,852</u>	<u>69,852</u>	<u>69,852</u>	<u>-</u>
Fund balance at end of year	<u>\$ 474,507</u>	<u>\$ 53,587</u>	<u>\$ 55,073</u>	<u>\$ 1,486</u>

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 324,939	\$ 297,861	\$ 297,861	\$ -
Intergovernmental - State	43,010	39,426	39,426	-
Total revenue	<u>367,949</u>	<u>337,287</u>	<u>337,287</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Other.	61,102	50,913	50,913	-
Support Services:				
Administration.	5,609	4,674	4,674	-
Fiscal	5,752	4,793	4,793	-
Operations and maintenance.	209,567	174,621	174,621	-
Pupil transportation	85,919	71,592	71,592	-
Total expenditures	<u>367,949</u>	<u>306,593</u>	<u>306,593</u>	<u>-</u>
Excess of revenues over (under) expenditures.	<u>-</u>	<u>30,694</u>	<u>30,694</u>	<u>-</u>
Net change in fund balance	-	30,694	30,694	-
Fund balance at beginning of year.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 30,694</u>	<u>\$ 30,694</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

	Private-Purpose Trust		Agency
	Scholarship		
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,750		\$ 16,415
Total assets	1,750		\$ 16,415
Liabilities:			
Due to students	-		\$ 16,415
Total liabilities	-		\$ 16,415
Net Assets:			
Held in trust for scholarships	1,750		
Total net assets	\$ 1,750		

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, 2005

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

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, 2005

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 542nd largest by enrollment among the 614 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 58 certificated personnel to provide services to approximately 819 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, 2005

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

JOINTLY GOVERNED ORGANIZATION

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Group'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 Group. Each year, the participating school districts pay an enrollment fee to the Group 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, 2005

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.

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, 2005

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
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, 2005, but which were levied to finance fiscal year 2006 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

Tax Budget:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the 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 2005, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The District has invested funds in STAR Ohio during fiscal 2005. 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, 2005.

Under existing Ohio statutes all investment earnings 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 2005 amounted to \$11,112, which includes \$9,530 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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. 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 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>General</u>	Emergency <u>Levy</u>	Permanent <u>Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (532,931)	\$ (12,002)	\$ 231,384	\$ 63,236	\$ (250,313)
GASB Technical Bulletin No. 2004-2	<u>(47,001)</u>	<u>-</u>	<u>-</u>	<u>(12,192)</u>	<u>(59,193)</u>
Restated Fund Balances, June 30, 2004	<u>\$ (579,932)</u>	<u>\$ (12,002)</u>	<u>\$ 231,384</u>	<u>\$ 51,044</u>	<u>\$ (309,506)</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 513,457
<u>Nonmajor Funds</u>	
Food service	28,560
Classroom Facility Maintenance	1,570
Management Information Systems	32
Disadvantaged Pupil Impact Act	83
Student Intervention	189
Miscellaneous State Grants	672
IDEA, Part B, Special Education	809
Title V - Innovative Education Programs	39
Improving Teacher Quality	420
Miscellaneous Federal Grants	19

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$35,992. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, the District's entire bank balance of \$63,738 was covered by Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Investment Maturity</u>	
	Balance at <u>Fair Value</u>	6 months or <u>less</u>
STAR Ohio	\$ 537,207	\$ 537,207

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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 537,207	100.00%

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, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 35,992
Investments	<u>537,207</u>
Total	<u>\$ 573,199</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 555,034
Private-purpose trust funds	1,750
Agency funds	<u>16,415</u>
Total	<u>\$ 573,199</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	<u>\$ 16,432</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Nonmajor Governmental Funds	<u>\$ 6,056</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.

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2005, were levied after April 1, 2004 and are collected in 2005 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

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

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, 2005, are available to finance fiscal year 2005 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, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 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 fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2004 was \$6,119 in the general fund, \$779 in the debt service fund (a nonmajor governmental fund), \$1,353 in the Emergency Levy fund, \$129 in the Classroom Facilities fund (a nonmajor governmental fund), and \$417 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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 68,521,410	94.38	\$ 71,088,950	96.11
Public Utility Personal	2,935,630	4.04	1,937,010	2.62
Tangible Personal Property	<u>1,145,931</u>	<u>1.58</u>	<u>937,938</u>	<u>1.27</u>
Total	<u>\$ 72,602,971</u>	<u>100.00</u>	<u>\$ 73,963,898</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.10		\$ 45.90	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 2,358,541
Intergovernmental	<u>1,412</u>
Total	<u>\$ 2,359,953</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 91,792	\$ -	\$ -	\$ 91,792
Total capital assets, not being depreciated	<u>91,792</u>	<u>-</u>	<u>-</u>	<u>91,792</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	21,826	-	-	21,826
Building and improvements	11,162,285	-	-	11,162,285
Furniture and equipment	664,167	-	(2,512)	661,655
Vehicles	410,517	-	-	410,517
Total capital assets, being depreciated	<u>12,258,795</u>	<u>-</u>	<u>(2,512)</u>	<u>12,256,283</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(21,826)	-	-	(21,826)
Building and improvements	(1,532,525)	(212,250)	-	(1,744,775)
Furniture and equipment	(489,787)	(21,882)	251	(511,418)
Vehicles	(229,856)	(31,463)	-	(261,319)
Total accumulated depreciation	<u>(2,273,994)</u>	<u>(265,595)</u>	<u>251</u>	<u>(2,539,338)</u>
Governmental activities capital assets, net	<u>\$ 10,076,593</u>	<u>\$ (265,595)</u>	<u>\$ (2,261)</u>	<u>\$ 9,808,737</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 213,009
Special	8,666
<u>Support Services:</u>	
Administration	617
Fiscal	523
Operations and Maintenance	3,249
Pupil Transportation	31,463
Extracurricular Activities	1,609
Food Service Operation	<u>6,459</u>
Total depreciation expense	<u>\$ 265,595</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/04	Additions	Reductions	Balance Outstanding 06/30/05	Amounts Due in One Year
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Current interest bonds	3.9-5.25%	\$ 1,720,000	\$ -	\$ -	\$ 1,720,000	\$ -
Capital appreciation bonds	8.15%	<u>325,734</u>	<u>23,156</u>	<u>(95,000)</u>	<u>253,890</u>	<u>95,000</u>
Total general obligation bonds payable		<u>\$ 2,045,734</u>	<u>\$ 23,156</u>	<u>\$ (95,000)</u>	<u>\$ 1,973,890</u>	<u>\$ 95,000</u>
<u>Other Long-Term Obligations:</u>						
Asbestos loan	N/A	\$ 73,939	\$ -	\$ (11,038)	\$ 62,901	\$ 11,038
State solvency loan	N/A	785,000	345,000	(392,500)	737,500	565,000
Compensated absences	N/A	<u>559,192</u>	<u>131,893</u>	<u>(9,904)</u>	<u>681,181</u>	<u>59,764</u>
Total other long-term obligations		<u>\$ 1,418,131</u>	<u>\$ 476,893</u>	<u>\$ (413,442)</u>	<u>\$ 1,481,582</u>	<u>\$ 635,802</u>
Total governmental activities		<u>\$ 3,463,865</u>	<u>\$ 500,049</u>	<u>\$ (508,442)</u>	<u>\$ 3,455,472</u>	<u>\$ 730,802</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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, 2005 was \$141,649. A total of \$112,241 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2005.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2005, are as follows:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ 87,908	\$ 87,908	\$ 95,000	\$ -	\$ 95,000
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 - 2015	565,000	327,739	892,739	-	-	-
2016 - 2020	775,000	158,887	933,887	-	-	-
2021	190,000	4,988	194,988	-	-	-
Total	\$ 1,720,000	\$ 922,175	\$ 2,642,175	\$ 285,000	\$ -	\$ 285,000

<u>Year Ended</u>	<u>Asbestos Loan</u>			<u>Solvency Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,038	\$ -	\$ 11,038	\$ 565,000	\$ -	\$ 565,000
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 - 2015	7,711	-	7,711	-	-	-
Total	\$ 62,901	\$ -	\$ 62,901	\$ 737,500	\$ -	\$ 737,500

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$4,758,169 (including available funds of \$75,308) and an unvoted debt margin of \$73,964.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 2004.

B. Health Insurance

The District has joined together with other school districts in the state to form the Trumbull County School Insurance Consortium Association, a public entity risk pool currently operating as a common risk management and insurance program for 16 member school districts in Trumbull County. The District pays a monthly premium to Trumbull County School Insurance Consortium Association for its insurance coverage. It is intended that the Trumbull County School Insurance Consortium Association will be self-supporting through member premiums. The monthly premium includes a specific and aggregate stop-loss premium to 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

For fiscal year 2005, 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 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required total contributions, for pension obligations and health care benefits, to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$86,649, \$117,125, and \$125,634, respectively; 73.75% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$22,749 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required total contributions, for pension obligations and health care benefits, to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$350,918, \$421,161, and \$402,283, respectively; 91.82% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$28,704 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$391 made by the District and \$402 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, no members of the Board of Education have elected Social Security, all have elected SERS. 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 STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$26,994 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$34,142 during the 2005 fiscal year.

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
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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:

Net Change in Fund Balance		Emergency
	<u>General Fund</u>	<u>Levy</u>
Budget basis	\$ (14,779)	\$ 30,694
Net adjustment for revenue accruals	35,075	1,953
Net adjustment for expenditure accruals	53,498	12,490
Net adjustment for other sources/uses	(15,294)	-
Adjustment for encumbrances	<u>7,975</u>	<u>661</u>
GAAP basis	<u>\$ 66,475</u>	<u>\$ 45,798</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.

C. State School Funding Decision

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ 117,450	\$ 113,140
Current year set-aside requirement	130,851	130,851
Qualifying disbursements	<u>(37,858)</u>	<u>-</u>
Total	<u>\$ 210,443</u>	<u>\$ 243,991</u>
Balance carried forward to FY 2006	<u>\$ 210,443</u>	<u>\$ 243,991</u>
Amount to limit set-aside to cash available	<u>\$ (182,044)</u>	<u>\$ (243,991)</u>
Total restricted	<u>\$ 28,399</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 \$34,649 at June 30, 2005. 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 is currently working with the state to meet criteria for terminating the fiscal emergency status.



Auditor of State Betty Montgomery

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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2006, wherein we noted the District restated fund balances due to the implementation of GASB Technical Bulletin No. 2004-2. We also noted the District's declaration of fiscal emergency raises substantial doubt about its ability to continue as a going concern. 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 March 24, 2005, 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*. In a separate letter to the District's management dated March 24, 2006, we reported a matter related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

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, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 24, 2006

**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
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800-282-0370

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**BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2006**