



**Auditor of State
Betty Montgomery**

**Bristol Local School District
Trumbull County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

Bristol Local School District – Trumbull County

Fiscal Emergency Termination

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**Auditor of State
Betty Montgomery**

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Bristol Local School District Financial Planning and Supervision Commission, the Auditor of State certifies that the Bristol Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code is in the process of being implemented, and it is reasonably expected that this implementation will be completed within two years, and that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Bristol Local School District Financial Planning and Supervision Commission and its role in the operation of the Bristol Local School District is terminated as of December 5, 2006.

Accordingly, this report is hereby submitted to the Bristol Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Adrian S. Biviano, Trumbull County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 5, 2006

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Bristol Local School District - Trumbull County

Report on Termination of the Bristol Local School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Bristol Local School District (the School District), Trumbull County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions, under Chapter 3316 of the Ohio Revised Code, should be terminated.

The Declaration of Fiscal Emergency

The Department of Education declared the Bristol Local School District, Trumbull County, to be in a state of Fiscal Caution on July 7, 2003, in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on anticipated deficits for the fiscal years ending June 30, 2004 and 2005.

The Auditor of State declared the Bristol Local School District in Fiscal Emergency on October 14, 2003 based on a forecasted operating deficit in the general fund for the year ending June 30, 2004 in the amount of \$785,000, or 14.6 percent of the general fund revenues for the prior fiscal year, and that the voting electors of the School District had not passed a levy that would have eliminated the deficit. The state of Fiscal emergency was declared under Section 3316.03(B)(2) of the Ohio Revised Code and a Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency condition have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and ,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

1. The Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Bristol Local School District (the School District) and issued an Accounting Report, dated June 9, 2004. The report identified areas where the School District's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

Bristol Local School District - Trumbull County

Report on Termination of the Bristol Local School District Financial Planning and Supervision Commission

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. For the purposes of making this determination, management provided a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Financial Accounting Report. The deficiencies originally identified in the Accounting Report, the corrective actions taken by management and the conclusion whether the action has been fully implemented follow.

Budgetary Process

Implemented:

- *The Board has adopted appropriations in funds that do not appear on the amended certificate. As part of the budgetary process, fund appropriations should be compared to the estimated resources on the amended official certificate and this comparison should be submitted to the Board with the supplemental appropriation request.*

The Treasurer prepares a comparison between estimated resources and fund appropriations and presents it to the Board with supplemental appropriations.

- *By statute, appropriations are limited to the estimated resources in the existing amended official certificate of estimated resources. A supplemental appropriations resolution is adopted by the Board which equals an anticipated increased amended certificate of estimated resources. If new or additional revenue is anticipated and the Board desires to spend it, an amended certificate should be certified by the budget commission before supplemental appropriations are passed.*

The Trumbull County Auditor requires that the request for an amended certificate and the supplemental appropriations be submitted together. Therefore, after the Board has passed the supplemental appropriations, the Treasurer personally delivers the request for an amended certificate and the supplemental appropriations to the County Auditor.

- *Documents received from the county budget commission do not always agree with information submitted by the School District. The documents received from the county budget commission should be reviewed upon receipt and corrections requested if needed.*

The Treasurer compares the information received from the County Auditor to the information submitted as she is entering the information into the computer system.

- *The estimated revenues and appropriations in the accounting system do not agree with the most current supporting documents. Amendments should be posted to the accounting system after approval by the Board for appropriations and after receipt of an amended certificate of estimated resources from the budget commission. The Treasurer should compare budgeted amounts in the accounting system to current amended certificate and appropriations measures as passed by the board to ensure that recorded amounts are accurate.*

Bristol Local School District - Trumbull County

Report on Termination of the Bristol Local School District Financial Planning and Supervision Commission

Amendments are posted to the budget system after receipt of an amended certificate from the budget commission and the passage of appropriations by the Board. The Treasurer also compares budgeted amounts in the accounting system to the most current amended certificate and appropriation measure passed by the Board to ensure the amounts are accurate.

- *A certificate of adequate revenues signed by the treasurer, president of the board of education and the superintendent of the school district is to be attached to each appropriation measure. Except under limited circumstances, the certificate should indicate that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the school district at the time of certification, are sufficient to provide the operating revenues necessary to enable the school district to maintain all personnel and programs for all the days set forth in its adopted school calendar for the current fiscal year. Under Section 3301-92-05(E) of the Ohio Administrative Code, each school district shall maintain sufficient documentation to justify each certification made under section 5705.412 of the Revised Code, and must identify the actual date of certification. There is no evidence that indicates this requirement has been met.*

A certificate of adequate revenues, signed by the Treasurer, President of the Board of Education and the Superintendent of the School District, is attached to qualifying contracts and the revised financial forecast is used to support the certification.

- *The Board of Education authorized the superintendent and treasurer to amend appropriations as necessary during the fiscal year not to exceed the last certificate of estimated resources at the January 5, 2004 organizational meeting. This legislative body of a local government may not delegate its authority to establish appropriations. The appropriation process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill that responsibility. The superintendent and treasurer may only allocate or re-allocate funds within a legally adopted appropriation.*

Appropriations are at the fund level. The Board of Education passed the authority for the Treasurer only to allocate appropriations as necessary at the function and object level. Any modifications at the fund level are made by the Board of Education.

Not Implemented:

- *The School District adopts an annual appropriation prior to the start of the new fiscal year. If the required certificate of estimated resources or a certification that no amended certificate need be issued has not been received from the county auditor, adoption of the annual appropriation measure must be delayed until the certificate/certification has been received.*

The Treasurer should request, in writing, a certification that no new amended certificate be issued prior to adopting annual appropriations.

Bristol Local School District - Trumbull County

**Report on Termination of the Bristol Local School District
Financial Planning and Supervision Commission**

Revenue Activity

Implemented:

- *The ticket seller should have the opportunity to count the money collected and then have the athletic director verify the amount.*

The ticket seller now has the opportunity to count the money collected and then have the athletic director verify the amount starting in fiscal year 2007.

In the Process of Implementation:

- *The School District needs to establish controls over the goods ordered and received for fund raising activities and the goods given to and returned by each student.*

The School District has demonstrated controls over pre-ordered goods where the sales were already determined by tracking the items ordered and items received. The Advisor then tracks the items given to the students based upon orders taken.

Purchasing Process

Implemented:

- *The School District should provide "412" certificates signed by the treasurer, superintendent and Board president for all negotiated agreements, salary schedules and construction contracts. The "412" certificates should be signed at the time the contract is approved by the Board or no later than the time contract is signed. The certification of adequate revenues is to be attached to all qualifying contracts. The certification should cover the term of the contract.*

The "412" certificate has been signed by the Treasurer, Superintendent, and Board President and is attached for all negotiated agreements, salary schedules and construction contracts.

- *The use of blanket purchase orders was authorized by statute for up to 90 days and \$5,000. In 2003, the statute was amended requiring the legislative authority to establish by resolution the amount that may be certified and removed the 90 day restriction. The School District's certification process needs to be updated to match the new statutory guidelines.*

The Board of Education passed a resolution establishing the blanket purchase order amount that may be certified and the length of time a purchase order may be outstanding.

Cash Disbursements

Implemented:

- *The School District should have a written policy addressing what is to occur when the invoice amount exceeds the purchase order amount.*

The School District has a written polity addressing the invoice amount exceeding the purchase order amount.

Bristol Local School District - Trumbull County

Report on Termination of the Bristol Local School District Financial Planning and Supervision Commission

- *The School District allows the food service fund to carry a deficit cash balance. Disbursements should not be made from a fund with an insufficient cash balance. If the timing of receipts is an issue, the Treasurer should request, by resolution, Board approval of an advance from the general fund. The resolution should state how and when the advance will be repaid.*

The School District has no deficit cash balances.

- *The fiscal officer's certification of the available funds for purchase commitments is to occur before the order is placed and the goods or services are received. If timely certification was not obtained, a "Then and Now" certification may be made provided the amount is less than the \$3,000. Payments of \$3,000 or more are to be approved by resolution of the Board of Education.*

The fiscal officer's certification of the available funds for purchase commitments occurs before the order is placed and the goods or services are received. On the rare occasions a timely certification was not obtained, a "then and now" certification would be provided.

Payroll Processing

Implemented:

- *The School District should have the time sheets signed and dated by the employee in addition to the employee's supervisor.*

The School District has the time sheets signed and dated by the employee in addition to the employee's supervisor.

Capital Assets and Supplies Inventory

Implemented:

- *The capital assets policy should be expanded to address the value assigned to donated assets, salvage values, authorization for disposals, and private property (items belonging to staff and students).*

The capital assets policy has been expanded to address the value assigned to donated assets, salvage values, authorization for disposals, and private property (items belonging to staff and students).

Cash Management and Investing

Implemented:

- *The monthly reconciliations should include a fund balance report to document that the total cash balance of all funds agrees with the reconciled amount of cash and investments.*

The monthly reconciliations include a fund balance report to document that the total cash balance of all funds agrees with the reconciled amount of cash and investments.

Bristol Local School District - Trumbull County

**Report on Termination of the Bristol Local School District
Financial Planning and Supervision Commission**

Recording Official Proceedings

Implemented:

- *The minutes should be signed immediately following the meeting at which they are approved. The Board minutes are not signed when approved at each meeting.*

The minutes are signed immediately following the meeting at which they are approved.

2. The Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

Bristol Local School District - Trumbull County

**Report on Termination of the Bristol Local School District
Financial Planning and Supervision Commission**

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

3. The Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated July 28, 2006. The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed. The key provisions of the financial plan are as follows:

1. Development of a nonadverse five-year forecast;
2. Approval of fiscal year appropriations that are aligned with the five-year forecast;
3. Prepare a District Staffing Analysis;
4. Request of a solvency assistance advance;
5. Personnel reductions.

Actions taken to achieve the provisions of the plan include the following:

1. Requested a solvency assistance fund advance in the amount of \$785,000.
2. Completed a District Staffing Analysis, which was used as a basis for staff reductions.
3. Reduced 1 certified position, 1 classified position, 3 classified positions for half of a year and reduced 2 certified positions by 100 and 50 days, respectively, which resulted in savings of approximately \$161,000 in fiscal year 2004.
4. Reduced district-wide 7.5 certified positions and 12.5 classified positions for a savings of \$496,000 in fiscal year 2005. Reduced district-wide 9 certified positions for a \$377,000 savings in fiscal year 2006.
5. Obtained voter approval of a new \$400,000, five-year, emergency levy in February 2005.

Total minimum cost reductions for fiscal years 2004 through 2006 was \$1,034,000.

Bristol Local School District - Trumbull County

Report on Termination of the Bristol Local School District Financial Planning and Supervision Commission

4. The Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2007 through 2011, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School Districts' five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecasted period through fiscal year 2011. The Auditor of State, in a report dated September 30, 2006, rendered a "nonadverse" opinion on the financial forecast.

Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented, or is in the process of implementing, an effective accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period.
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period.
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Bristol Local School District and its functions may be terminated.

It is understood that this report's determination is for the Bristol Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Adrian S. Biviano, Trumbull County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designed by the Auditor of State, and is not to be used for any other purpose.

Bristol Local School District - Trumbull County

**Report on Termination of the Bristol Local School District
Financial Planning and Supervision Commission**

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Bristol Local School District
Trumbull County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2007 through 2011

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Bristol Local School District – Trumbull County

Fiscal Emergency Termination

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**Auditor of State
Betty Montgomery**

Board of Education
Bristol Local School District
1845 Greenville Road
P.O. Box 260
Bristolville, Ohio 44402

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bristol Local School District for the fiscal years ending June 30, 2007 through 2011. The Bristol Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Bristol Local School District for the fiscal years ended June 30, 2004, 2005 and 2006 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

Betty Montgomery
Auditor of State

September 30, 2006

Bristol Local School District
Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2004 Through 2006 Actual;
For the Fiscal Years Ending June 30, 2007 Through 2011 Forecasted
General Fund

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Forecasted
Revenues				
General Property Taxes	\$1,604,000	\$1,625,000	\$1,950,000	\$2,234,000
Tangible Personal Property Taxes	35,000	34,000	35,000	31,000
Unrestricted Grants-in-Aid	3,700,000	3,459,000	3,482,000	3,726,000
Restricted Grants-in-Aid	18,000	25,000	45,000	37,000
Property Tax Allocation	243,000	252,000	285,000	349,000
All Other Revenues	277,000	228,000	258,000	246,000
<i>Total Revenues</i>	<u>5,877,000</u>	<u>5,623,000</u>	<u>6,055,000</u>	<u>6,623,000</u>
Other Financing Sources				
Solvency Assistance Advance	785,000	345,000	0	0
Proceeds of Notes	400,000	0	0	0
Advances In	0	0	16,000	0
Operating Transfers In	73,000	0	0	0
<i>Total Other Financing Sources</i>	<u>1,258,000</u>	<u>345,000</u>	<u>16,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>7,135,000</u>	<u>5,968,000</u>	<u>6,071,000</u>	<u>6,623,000</u>
Expenditures				
Personal Services	3,503,000	2,926,000	2,715,000	2,913,000
Employees' Retirement/Insurance Benefits	1,582,000	1,316,000	1,079,000	1,266,000
Purchased Services	1,048,000	1,115,000	1,281,000	1,247,000
Supplies and Materials	75,000	63,000	77,000	153,000
Capital Outlay	8,000	0	2,000	45,000
Debt Service:				
Principal- Asbestos Loan	11,000	11,000	11,000	11,000
Principal- Solvency Assistance	0	393,000	565,000	173,000
Principal- Note	400,000	0	0	0
Interest	7,000	0	0	0
Other Objects	106,000	99,000	110,000	110,000
<i>Total Expenditures</i>	<u>6,740,000</u>	<u>5,923,000</u>	<u>5,840,000</u>	<u>5,918,000</u>
Other Financing Uses				
Operating Transfers Out	0	6,000	3,000	0
Advances Out	0	16,000	0	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>22,000</u>	<u>3,000</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>6,740,000</u>	<u>5,945,000</u>	<u>5,843,000</u>	<u>5,918,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	395,000	23,000	228,000	705,000
Cash Balance (Deficit) July 1	(339,000)	56,000	79,000	307,000
Cash Balance (Deficit) June 30	56,000	79,000	307,000	1,012,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	0	9,000	53,000	16,000
Reservations of Fund Balance for:				
Textbooks	148,000	210,000	156,000	174,000
Bus Purchase	26,000	35,000	39,000	4,000
Total Encumbrances and Reserves of Fund Balance	<u>174,000</u>	<u>254,000</u>	<u>248,000</u>	<u>194,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(118,000)</u>	<u>(175,000)</u>	<u>59,000</u>	<u>818,000</u>
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30 with Renewal Levies	<u><u>(\$118,000)</u></u>	<u><u>(\$175,000)</u></u>	<u><u>\$59,000</u></u>	<u><u>\$818,000</u></u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountant's report

<u>Fiscal Year</u> <u>2008 Forecasted</u>	<u>Fiscal Year</u> <u>2009 Forecasted</u>	<u>Fiscal Year</u> <u>2010 Forecasted</u>	<u>Fiscal Year</u> <u>2011 Forecasted</u>
\$2,255,000	\$2,130,000	\$2,008,000	\$1,841,000
48,000	30,000	13,000	6,000
3,600,000	3,615,000	3,630,000	3,649,000
37,000	37,000	37,000	37,000
354,000	349,000	353,000	335,000
229,000	229,000	230,000	230,000
<u>6,523,000</u>	<u>6,390,000</u>	<u>6,271,000</u>	<u>6,098,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>6,523,000</u>	<u>6,390,000</u>	<u>6,271,000</u>	<u>6,098,000</u>
3,003,000	3,084,000	3,177,000	3,263,000
1,351,000	1,465,000	1,590,000	1,731,000
1,274,000	1,302,000	1,328,000	1,360,000
174,000	177,000	178,000	180,000
14,000	12,000	14,000	16,000
11,000	11,000	11,000	11,000
0	0	0	0
0	0	0	0
0	0	0	0
112,000	114,000	118,000	122,000
<u>5,939,000</u>	<u>6,165,000</u>	<u>6,416,000</u>	<u>6,683,000</u>
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>5,939,000</u>	<u>6,165,000</u>	<u>6,416,000</u>	<u>6,683,000</u>
584,000	225,000	(145,000)	(585,000)
<u>1,012,000</u>	<u>1,596,000</u>	<u>1,821,000</u>	<u>1,676,000</u>
<u>1,596,000</u>	<u>1,821,000</u>	<u>1,676,000</u>	<u>1,091,000</u>
16,000	16,000	16,000	16,000
184,000	195,000	206,000	217,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>200,000</u>	<u>211,000</u>	<u>222,000</u>	<u>233,000</u>
<u>1,396,000</u>	<u>1,610,000</u>	<u>1,454,000</u>	<u>858,000</u>
0	152,000	330,000	422,000
<u>0</u>	<u>152,000</u>	<u>482,000</u>	<u>904,000</u>
<u>\$1,396,000</u>	<u>\$1,762,000</u>	<u>\$1,936,000</u>	<u>\$1,762,000</u>

Bristol Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2007 through June 30, 2011

Note 1 – The School District

The Bristol Local School District the (School District) is located in Trumbull County and encompasses all of the Townships of Bristol and Farmington and the Village of West Farmington. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one comprehensive school. The School District is staffed by 27 non-certified and 50 certificated personnel to provide services to approximately 787 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Bristol Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of September 30, 2006, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the emergency levy fund, the poverty based assistance fund, disadvantaged pupil impact aid (DPIA) fund and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for any activity for which a fee is charged to external users for goods and services.

Fiduciary Funds

Fiduciary fund reporting accounts for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The fiduciary fund category is split into four classifications: Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds.

C. - Budgetary Process

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.

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Budget - Trumbull County has waived the requirement of the formal tax budget. The county budget commission requires property tax information for funds supported by a tax levy and summary data for all other funds to be submitted to the County Auditor as Secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Bristol Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 – Significant Assumptions for Revenues and Other Financing Sources

A. – General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in business. Property taxes are collected for, and distributed to, the school districts in the county by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the county auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising, delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue includes amounts levied against all real, public utility real and tangible, and business tangible personal property located in the School District. Property tax revenue received during calendar year 2006 for real and public utility property taxes represents collections of calendar year 2005 taxes. Property tax payments received during calendar year 2006 for tangible personal

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property (other than public utility property) are for calendar year 2006 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning for tax year 2005 (collection year 2006), the State of Ohio eliminated the ten percent rollback on commercial and industrial property. This change will increase real property taxes collected on commercial and industrial property and decrease property tax allocation revenue.

The forecast excludes the receipt of any advances in June against the next fiscal year's scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to request any such advances for fiscal years 2007 through 2011.

The property tax revenues for the School District are generated from several levies. The current levies being collected for the General Fund, the year approved, the first and last calendar year of collection and the full tax rate are as follows:

Tax Levies	Year Approved	First Calendar Year Of Collection	Last Calendar Year Of Collection	Full Tax Rate (Per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.20
Continuing Operating	1976	n/a	n/a	17.40
Continuing Operating	1977	n/a	n/a	7.50
Continuing Operating	1987	n/a	n/a	8.00
Emergency (\$330,000)	2005	2006	2008	4.70
Emergency Renewal (\$400,000)	2005	2006	2010	3.90
Total Tax Rate				<u>\$46.70</u>

The School District has separate levies for payment of bonded debt principal and interest, the acquisition or construction of permanent improvements, and school facilities maintenance totaling \$5.10 per \$1,000 of assessed valuation. The School District's total property tax rate is \$51.80 per \$1,000 of assessed valuation.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenues. The estimated general property tax revenue is based upon actual receipts and information provided by the Trumbull County Auditor.

Emergency and debt levies are intended to generate a set revenue amount annually; their rates are adjusted annually to generate these amounts.

Ohio law provides for a reduction in the rates of any other voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For these voted levies, increases in revenues are restricted to amounts generated from new construction. The reduction factors are computed annually and applied separately for residential/agricultural property and

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commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. For the General Fund, the effective residential and agricultural real property tax rate is \$28.60 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$29.00 per \$1,000 of assessed valuation for collection year 2007.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

The Trumbull County Auditor completed a sexennial reappraisal in tax year 2005 which affected the assessed valuations and real property tax receipts in collection year 2006 by approximately 19 percent and approximately 14 percent, respectively. In tax year 2008, the School District will have a triennial revaluation, which should increase assessed valuations and real property tax receipts in collection year 2009. The School District anticipates increases in general property taxes each year of the forecast period because of new construction; however, this revenue is also affected by the following levies:

- In fiscal year 2009, a decrease of approximately one half of the annual revenue from the expiring \$330,000 emergency levy;
- In fiscal year 2010, a decrease of the annual revenue from the expiring \$330,000 emergency levy;
- In fiscal year 2011, a decrease of the annual revenue from the expiring \$330,000 emergency levy and approximately one-half of the expiring \$400,000 emergency levies.

The School District is anticipating renewing the two emergency levies prior to the last year of collection.

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it was completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the 2005 calendar tangible personal property tax collections, will lose approximately \$38,000 when the tangible personal property tax is

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completely phased out in 2009. These changes do not affect tangible personal property of public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (See Property Tax Allocation Revenue below).

The estimated tangible personal property tax revenue is based upon information provided by the Trumbull County Auditor. The School District anticipates decreases in personal property tax revenue during fiscal years 2007 through 2011 as a result of the tax changes discussed above.

B. – Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as parity aid, reappraisal guarantee, and transitional guarantee which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

The State’s foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district’s taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2004 and 2.8 percent in fiscal years prior to fiscal year 2004. The School District anticipates a 2.2 percent increase in the per pupil amount in each year of the forecast. The per pupil amount for fiscal years 2004 to 2007 is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$5,058
2005	5,169
2006	5,283
2007	5,403

The anticipated unrestricted grants-in-aid for fiscal year 2007 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the October school foundation statement for fiscal year 2007 and the amounts forecasted for the next four fiscal years are as follows:

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	Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2007	2008	2009	2010	2011
Formula Aid	\$2,801,000	\$2,675,000	\$2,690,000	\$2,705,000	\$2,724,000
Reappraisal Guarantee	132,000	132,000	132,000	132,000	132,000
Transitional Guarantee	30,000	30,000	30,000	30,000	30,000
Parity	317,000	317,000	317,000	317,000	317,000
Categorical Funding	167,000	167,000	167,000	167,000	167,000
Transportation	225,000	225,000	225,000	225,000	225,000
Foundation Adjustments	54,000	54,000	54,000	54,000	54,000
Total Unrestricted Grants-in Aid	<u>\$3,726,000</u>	<u>\$3,600,000</u>	<u>\$3,615,000</u>	<u>\$3,630,000</u>	<u>\$3,649,000</u>

Formula Aid is anticipated to increase from the prior fiscal year due to an increase in ADM of 20 and an increase in the base cost per pupil funding offset by the reduction of the cost of doing business factors. While ADM has decreased in the prior years, the School District anticipates ADM to increase to 812 for fiscal year 2007 and hold at 823 for the remainder of the forecast period because of the improved financial condition of the School District and other anticipated changes within the community. The add-on building blocks add \$40 per pupil in fiscal year 2006 and \$48 per pupil in fiscal year 2007. The School District anticipates the building blocks to continue at their present rate through 2011. The cost of doing business factor was reduced by one-third in fiscal year 2006 and will be reduced by another one-third for fiscal year 2007 and eliminated in fiscal year 2008.

During the forecast period, the School District will receive a transitional aid guarantee to ease the impact of the many changes made in the basic aid formula. The transitional aid guarantee is anticipated to remain the same through fiscal year 2011.

Categorical funding for fiscal year 2007 increased due to an increase in the number of units for special education and gifted aid, and will remain at fiscal year 2007 levels for the remainder of the forecast.

C. – Restricted Grants-in-Aid

Restricted grants-in-aid consist of a bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2007, the School District anticipates \$4,000 in bus purchase allowance, \$23,000 in career tech monies and \$10,000 in Poverty Based Assistance monies which replaced the DPIA program. For fiscal years 2008 through 2011, the School District anticipates restricted grants-in-aid to be consistent with fiscal year 2007.

D. – Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in collection year 2006, the State eliminated the ten percent rollback credit on commercial and industrial real properties.

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The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as Utility Deregulation payments.

Beginning in fiscal year 2006, the State reimbursed the School District for lost revenue due to the phase out of tangible personal business property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessment values under prior law and the assessment values under HB 66. This means the School District is only reimbursed for the difference between prior law and the phase-outs in HB 66.

The School District anticipates property tax allocations to fluctuate slightly each year of the forecast period because of assessed valuations and the reimbursements for lost revenue due to the phase out of tangible personal business property tax.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Homestead and Rollback	\$314,000	\$319,000	\$305,000	\$286,000	\$264,000
Tangible Personal Property Exempt	6,000	0	0	0	0
Utility Deregulation	19,000	19,000	19,000	19,000	19,000
Tangible Personal Property Loss Reimbursement	10,000	16,000	25,000	48,000	52,000
Totals	<u>\$349,000</u>	<u>\$354,000</u>	<u>\$349,000</u>	<u>\$353,000</u>	<u>\$335,000</u>

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E. – All Other Revenues

Presented below is a comparison of all other revenues for the forecast period:

<u>Revenue Sources</u>	<u>Forecast Fiscal Year 2007</u>	<u>Forecast Fiscal Year 2008</u>	<u>Forecast Fiscal Year 2009</u>	<u>Forecast Fiscal Year 2010</u>	<u>Forecast Fiscal Year 2011</u>
Open Enrollment	\$133,000	\$133,000	\$133,000	\$133,000	\$133,000
Tuition	27,000	27,000	27,000	27,000	27,000
Interest	28,000	29,000	29,000	30,000	30,000
Rentals	6,000	6,000	6,000	6,000	6,000
Sale of Capital Assets	1,000	0	0	0	0
Refund of Prior Year Expenditures	42,000	25,000	25,000	25,000	25,000
Other	9,000	9,000	9,000	9,000	9,000
Totals	<u>\$246,000</u>	<u>\$229,000</u>	<u>\$229,000</u>	<u>\$230,000</u>	<u>\$230,000</u>

The School District receives open enrollment revenue from other school districts whose students attend the Bristol Local School District regular programs. The School District also receives tuition revenue from other school districts whose students have been placed with a court appointed guardian residing in the Bristol Local School District. Tuition and open enrollment are expected to remain consistent with fiscal year 2006 during the forecast period.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive and allocation of interest earnings with the greatest allocation going to the general fund.

The School District receives rental revenue of \$700 for 9 months from the County Head Start unit. The School District expects this rental revenue to stay constant during the forecast period.

The School District sold a school bus during the fiscal year 2007 for \$1,000. The School District does not anticipate the sale of any other assets during the forecast period.

F. - Other Financing Sources

The School District received a \$785,000 State solvency assistance advance during fiscal year 2004. The advance was repaid without interest over two fiscal years beginning in fiscal year 2005. The School District received an additional \$345,000 State Solvency advance during fiscal year 2005. This advance will be repaid without interest over two fiscal years beginning in fiscal year 2006.

Proceeds of notes represent receipts from the issuance of tax anticipation notes for short-term cash flow borrowing. The School District is not forecasting the issuance of any tax anticipation notes during the forecast period.

The School district is not forecasting any advances or transfers during the forecast period.

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Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance, insurance opt out and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels in the general fund decreased from 88 in fiscal year 2004 to 85 in fiscal year 2005 to 69 in fiscal year 2006. However, the general fund staffing level increased to 70 in fiscal year 2007. There are no further staff additions or reductions anticipated for the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The new contract covers the period July 1, 2006 to June 30, 2009, and allows for a two percent increase in the base salary in fiscal year 2007 as well as step increases from 0 to 3.9 percent depending on years of experience in each year of the contract. The contract calls for three percent base increases in fiscal years 2008 and 2009. The contract for classified staff covers the same period and also allows for a two percent increase in fiscal year 2007 and a three percent increase in fiscal years 2008 and 2009.

The School District has assumed annual increases similar to the current negotiated agreements for the fiscal years of the forecast not covered by the contracts. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving similar base increases for fiscal year 2010 and 2011 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. The forecasted increase of three percent in the base salaries in fiscal year 2010 increases total expenditures for salaries by approximately \$92,000 for that fiscal year.

The forecasted increase in certified and classified salaries over the next five fiscal years is due to the base and step increases. The School District expects one high salary teacher to be replaced by an entry level salary teacher each fiscal year. This replacement will help to somewhat offset the increase in salaries due to base and step increases.

The School District offers severance pay upon retirement to its certified and classified employees who depart with at least ten years of service with the School District. Payments for certified and classified employees are thirty - three percent of their unused sick leave up to a maximum of 80 days and 15 percent of the remaining unused accumulated sick days in excess of 240 days, paid at their daily rate or one-fourth of their final salary and five percent of unused sick leave for their severance pay which ever is higher. Severance costs are anticipated to increase in fiscal year 2007 due to the retirement of one staff member with a large leave balance. The forecast assumes that one certified employee will leave the District each year.

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Presented below is a comparison of salaries and wages for fiscal years 2007 through 2011.

	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Certified Salaries	\$2,352,000	\$2,422,000	\$2,490,000	\$2,568,000	\$2,640,000
Classified Salaries	428,000	449,000	462,000	476,000	490,000
Substitute Salaries	85,000	85,000	85,000	85,000	85,000
Supplemental Contracts	21,000	22,000	22,000	23,000	23,000
Severance Pay	22,000	20,000	20,000	20,000	20,000
Other Salaries and Wages	5,000	5,000	5,000	5,000	5,000
Totals	<u>\$2,913,000</u>	<u>\$3,003,000</u>	<u>\$3,084,000</u>	<u>\$3,177,000</u>	<u>\$3,263,000</u>

B. – Employees’ Retirement/Insurance Benefits

Employees’ retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers’ compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employer’s contribution rate of 14 percent of salaries for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from a variance in estimates are prorated over the next calendar year. Retirement costs are forecasted to increase based on the increase in forecasted salaries over the next five fiscal years. The School District pays the employee’s retirement contribution of the superintendent, principals and treasurer.

Health care costs are based on rates issued by the Trumbull County Health insurance consortium, a public entity risk sharing pool. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, dental care and vision. Health care rates are fixed on a calendar year basis. In fiscal year 2007, health care costs are expected to increase due to two new employees enrolling in the family coverage plan as well as an anticipated 15 percent rate increase in December of 2006. Starting in fiscal year 2008, employees of the School District will be required to pay a portion of their health care costs based upon the plan they are enrolled in. Employees who elect family coverage will pay \$40 per month and employees electing single coverage will have to pay \$20 per month.

The Trumbull County Health insurance consortium does not currently meet the requirements of membership as set forth in H.B. 66. For fiscal year 2009, the consortium will either be absorbed by a larger consortium or be dissolved. The School District has the option of joining the larger consortium or a proposed State-wide insurance plan. Although the School District is unsure of what is going to happen, the School District does intend to maintain the same level of benefits for their employees for fiscal years 2009 through 2011. Therefore, the School District is forecasting a 12 percent increase in health care costs for fiscal years 2009 through 2011, based on historical increases in health care costs.

Life insurance premiums are based on the coverage amount, the anticipated number of employees participating in the program and the monthly premiums. Since the number of employees is expected to remain fairly constant over the next five fiscal years, life insurance costs are expected to remain constant as well.

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For the Fiscal Years Ending June 30, 2007 through June 30, 2011

Workers' compensation is based on the School District's assigned rate and the actual salaries and wages paid in the previous calendar year. The School District charges each fund each pay period based on the amount of payroll a percentage of the anticipated workers compensation costs. The amount charged to each fund is accumulated in an agency fund for payment of the workers' compensation premiums in May each year. In prior fiscal years, the amount charged to the various funds exceeded the amount needed to pay the premium and the rate was adjusted down each year. The excess will be consumed during each year of the forecast period.

Unemployment is anticipated to decrease slightly in fiscal year 2007 and level off. Tuition reimbursement is showing an increase in fiscal year 2007 and remaining constant for fiscal year 2008 through 2011 because the contract calls for a maximum of \$10,000 to be paid out in any one fiscal year and if that amount is unspent, the unspent amount is carried forward to the next fiscal year. The School District has not reached the \$10,000 limit in any of the prior three fiscal years. The School District anticipates spending the entire amount during the forecast period due to more employees taking classes.

Presented below is a comparison of employees' retirement and insurance for the fiscal years 2007 through 2011:

	Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Employer's Retirement	\$394,000	\$444,000	\$457,000	\$470,000	\$484,000
Health Care/Life Insurance	831,000	860,000	959,000	1,069,000	1,193,000
Workers' Compensation	0	5,000	7,000	8,000	10,000
Medicare	23,000	24,000	24,000	25,000	26,000
Unemployment	5,000	5,000	5,000	5,000	5,000
Tuition Reimbursement	13,000	13,000	13,000	13,000	13,000
Totals	<u>\$1,266,000</u>	<u>\$1,351,000</u>	<u>\$1,465,000</u>	<u>\$1,590,000</u>	<u>\$1,731,000</u>

C. – Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2007 through 2011.

	Forecast	Forecast	Forecast	Forecast	Forecast
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Professional and Technical Services	\$13,000	\$13,000	\$15,000	\$13,000	\$13,000
Property Services	107,000	112,000	114,000	115,000	116,000
Travel and Meetings Expenses	9,000	9,000	9,000	9,000	9,000
Communications Costs	13,000	13,000	13,000	13,000	13,000
Utility Services	228,000	250,000	274,000	301,000	332,000
Tuition and Other Similar Payments	876,000	876,000	876,000	876,000	876,000
Pupil Transportation	1,000	1,000	1,000	1,000	1,000
Totals	<u>\$1,247,000</u>	<u>\$1,274,000</u>	<u>\$1,302,000</u>	<u>\$1,328,000</u>	<u>\$1,360,000</u>

Bristol Local School District

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For the Fiscal Years Ending June 30, 2007 through June 30, 2011

The increase in purchased service costs in fiscal year 2007 is due to an increase in insurance and utilities. Property insurance is anticipated to increase three percent over fiscal year 2006. Utility costs increased due to the rising costs of fuel. Tuition paid to other school districts increased due to an increase in special education students compared with the prior fiscal year. For fiscal years 2008 through 2011, the School District anticipates about a three percent increase.

D. – Supplies and Materials

Presented below is a comparison of purchased service expenditures for fiscal years 2007 through 2011.

	Forecast Fiscal Year 2007	Forecast Fiscal Year 2008	Forecast Fiscal Year 2009	Forecast Fiscal Year 2010	Forecast Fiscal Year 2011
General Supplies	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000
Textbooks	61,000	80,000	80,000	80,000	80,000
Supplies and Materials for Resale	2,000	3,000	3,000	3,000	3,000
Supplies and Materials for Operation, Maintenance and Repair	20,000	20,000	20,000	20,000	20,000
Supplies and Materials for Operation Maintenance and Repair for Motor Vehicles	41,000	42,000	45,000	46,000	48,000
Totals	<u>\$153,000</u>	<u>\$174,000</u>	<u>\$177,000</u>	<u>\$178,000</u>	<u>\$180,000</u>

General supplies are forecasted for 2007 at a 64 percent increase over 2006. This is the direct result of the School District needing to restock general supplies that have been kept to a minimum over the previous two years. The entire forecast period is showing consistent expenditures which will be needed to raise the general supplies to a level that is needed to effectively run the School District.

During fiscal year 2006, the School District did not purchase textbooks and limited their instructional materials and supplies purchases to what was absolutely necessary. The School District will need to replenish textbooks and supplies during the current fiscal year.

E. – Capital Outlay

Property, plant and equipment acquired or constructed for general government services are recorded as expenditures. The School District is anticipating a \$43,000 increase in capital outlay (new and replacement) from fiscal year 2006, due to the purchase a new school bus and the need to upgrade or replace equipment that has become obsolete. The School District plans to purchase a new bus each year of the forecast period utilizing the bus purchase monies of \$4,000 and continue equipment purchases ranging from \$8,000 to \$12,000 per year for the remaining forecast period.

F. – Debt Service

General fund supported debt consists of the following:

<u>Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issue Amount</u>	<u>Interest Rate</u>
Asbestos Loan	5/23/1995	11/30/2013	\$198,700	0.00%
Solvency Assistance Advance	8/1/2006	6/1/2003	345,000	0.00%

Bristol Local School District
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Principal and interest payments for the debt are as follows:

Fiscal Year	Asbestos Loan	Solvency Assistance Advance	Total
2007	\$11,000	\$173,000	\$184,000
2008	11,000	0	11,000
2009	11,000	0	11,000
2010	11,000	0	11,000
2011	11,000	0	11,000
2012-2013	6,000	0	6,000
Total	\$61,000	\$173,000	\$234,000

During fiscal year 2005, the School District received a solvency assistance advance in the amount of \$345,000, which is repaid in fiscal years 2006 and 2007.

G. – Other Objects

Other object expenditures consist of dues, fees, general liability insurance and other miscellaneous goods and services not otherwise classified in another account and the refund of prior year's receipts. The School District anticipates fiscal year 2007 to remain consistent with fiscal year 2006. Overall, the School District anticipates a small increase in each of the remaining years of the forecast period.

H. Operating Transfers and Advances

The School District transferred \$3,000 to the uniform school supplies fund to cover deficits. There are no transfers or advances anticipated for the forecast period.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced and are waiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio Law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects for fiscal year ended June 30, 2006 were \$53,000 due to the School District encumbering a bus. For fiscal years 2007 through 2011, the School District anticipates having encumbrances of \$16,000.

Bristol Local School District

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Summary of Significant Assumptions and Accounting Policies
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Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 year-end 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 the future years.

A. - Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2007 is \$110,000. The School District had a carryover balance of \$156,000 from fiscal year 2006. The School District anticipates \$92,000 in qualifying expenditures during the current fiscal year leaving a reserve balance of \$174,000. The School District's set aside requirement is anticipated to remain consistent at \$122,000 for fiscal years 2008 through 2011. The School District does not anticipate the qualified expenditures to cover the reserve requirement therefore; the School District anticipates having a reserve balance ranging from \$184,000 to \$217,000 during the forecast period.

B. – Capital and Maintenance Set-Aside

The set aside requirement for fiscal year 2007 is \$110,000. The School District had no carryover balance at the end of fiscal year 2006 and does not anticipate a reserve for the capital and maintenance set aside for fiscal year 2007. For fiscal years 2008 through 2011, the School District anticipates qualified expenditures and the proceeds from the permanent improvement levy exceed the annual set aside requirement.

C. – Bus Purchases

At June 30, 2006, the School District had \$39,000 in unspent bus monies. The School District received \$4,000 in a bus purchase allowance during fiscal year 2007. The School District anticipates purchasing a new public school bus during the current fiscal year for \$39,000. Therefore, a reserve amount of \$4,000 is forecasted for bus purchases. The School District expects to receive \$4,000 in bus monies in fiscal year 2008 through 2011 and to use this money as part of the payment on a new bus; therefore no reserve for bus purchases is forecasted for fiscal year 2008 through 2011.

D. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2006, the School District had no unspent DPIA monies. For fiscal year 2007 through fiscal year 2011, the School District anticipates receiving \$10,000 in restricted Poverty Based Assistance monies, the DPIA replacement program, and having \$10,000 in Poverty Based Assistance expenditures. Therefore, no reserve for Poverty Based Assistance is forecasted for fiscal year 2007 through 2011.

Bristol Local School District

Trumbull County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2007 through June 30, 2011

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1995	Permanent Improvement	2.50 mills	5 Years	Passed
November 1996	Emergency	\$330,000	3 Years	Passed
May 1997	Bond Issue	4.17 mills	20 Years	Passed
November 1999	Emergency	\$330,000	3 Years	Passed
November 2000	Permanent Improvement	2.50 mills	5 Years	Passed
November 2002	Emergency (Renewal)	\$330,000	3 Years	Passed
May 2003	Emergency	\$350,000	5 Years	Failed
November 2004	Emergency	\$560,000	5 Years	Failed
March 2004	Emergency	\$560,000	5 Years	Failed
August 2004	Emergency	\$560,000	5 Years	Failed
November 2004	Emergency	\$400,000	5 Years	Failed
February 2005	Emergency	\$400,000	5 Years	Passed
May 2005	Emergency (Renewal)	\$330,000	3 Years	Passed
November 2005	Permanent Improvement (Renewal)	2.50 mills	5 Years	Passed

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Financial Planning and Supervision Commission

On October 14, 2003, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, the Mahoning County Auditor, an appointee of the Superintendent of Public Instruction, and an appointee of the Governor. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan. Based on this report, the operation of the Commission will be terminated.

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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
DECEMBER 5, 2006**