



**Auditor of State  
Betty Montgomery**



**BRISTOL LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bristol Local School District, Trumbull County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bristol Local School District, Trumbull County, as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General and Emergency Levy funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

February 28, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities decreased \$178,173 which represents a 2.68% decrease from 2003.
- General revenues accounted for \$6,005,261 in revenue or 79.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,566,180 or 20.69% of total revenues of \$7,571,441.
- The District had \$7,749,614 in expenses related to governmental activities; only \$1,566,180 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,005,261 were not 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 \$7,312,341 in revenues and other financing sources and \$6,736,244 in expenditures and other financing uses. During fiscal 2004, the general fund's fund deficit decreased \$576,097 from \$1,109,028 to \$532,931.
- The emergency levy fund had \$390,534 in revenues and other financing sources and \$370,786 in expenditures. During fiscal 2004, the emergency levy fund's fund deficit decreased \$19,748 from a deficit of \$31,750 to a deficit of \$12,002.
- The permanent improvement fund had \$104,092 in revenues and \$16,669 in expenditures. During fiscal 2004, the permanent improvement fund's fund balance increased \$87,423 from \$143,961 to \$231,384.

**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, 2004  
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 2004?" 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, 2004  
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***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2004 and 2003.

	<b>Net Assets</b>	
	Governmental Activities 2004	Governmental Activities 2003
<b><u>Assets</u></b>		
Current and other assets	\$ 2,500,830	\$ 2,030,975
Capital assets, net	<u>10,076,593</u>	<u>10,358,362</u>
Total assets	<u>12,577,423</u>	<u>12,389,337</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,643,899	2,885,661
Long-term liabilities	<u>3,463,865</u>	<u>2,788,325</u>
Total liabilities	<u>6,107,764</u>	<u>5,673,986</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	8,030,859	8,247,578
Restricted	546,993	245,201
Unrestricted (deficit)	<u>(2,108,193)</u>	<u>(1,777,428)</u>
Total net assets	<u>\$ 6,469,659</u>	<u>\$ 6,715,351</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$6,469,659. At year-end, restricted net assets were \$546,993.

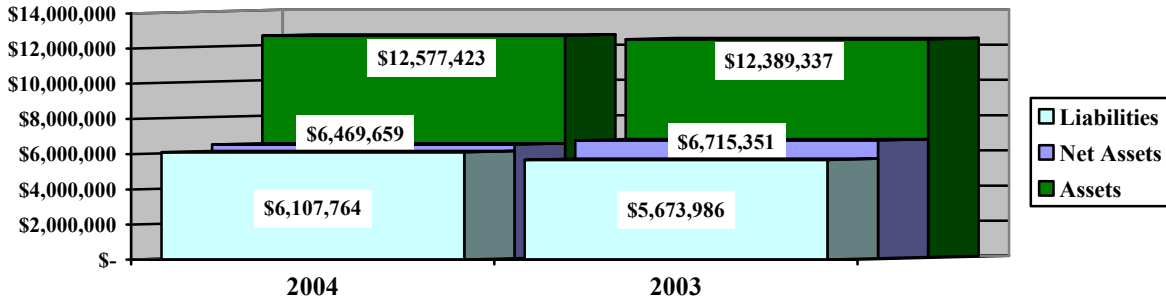
At year-end, capital assets represented 80.21% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$8,030,859. These capital assets are used 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, \$546,993, 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 \$2,108,193.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003.

**Change in Net Assets**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,075,188	\$ 920,847
Operating grants and contributions	471,192	401,892
Capital grants and contributions	19,800	16,288
General revenues:		
Property taxes	1,964,453	1,828,368
Grants and entitlements	3,980,131	3,769,419
Investment earnings	3,873	5,202
Other	<u>56,804</u>	<u>50,860</u>
Total revenues	<u>7,571,441</u>	<u>6,992,876</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,429,700	\$ 3,168,105
Special	695,474	743,026
Vocational	10,824	24,297
Other	595,031	605,778
Support services:		
Pupil	271,479	258,310
Instructional staff	269,578	314,277
Board of education	13,774	10,358
Administration	496,718	516,292
Fiscal	183,653	173,529
Business	39,032	49,716
Operations and maintenance	722,240	785,602
Pupil transportation	457,429	499,301
Central	9,000	-
Operation of non-instructional services	234	-
Extracurricular activities	159,704	207,213
Food service operations	275,117	273,435
Interest and fiscal charges	<u>120,627</u>	<u>123,161</u>
Total expenses	<u>7,749,614</u>	<u>7,752,400</u>
Change in net assets	<u>\$ (178,173)</u>	<u>\$ (759,524)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$178,173. Total governmental expenses of \$7,749,614 were offset by program revenues of \$1,566,180 and general revenues of \$6,005,261. Program revenues supported 20.20% 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 79.31% of total governmental revenue. Real estate property is reappraised every six years.

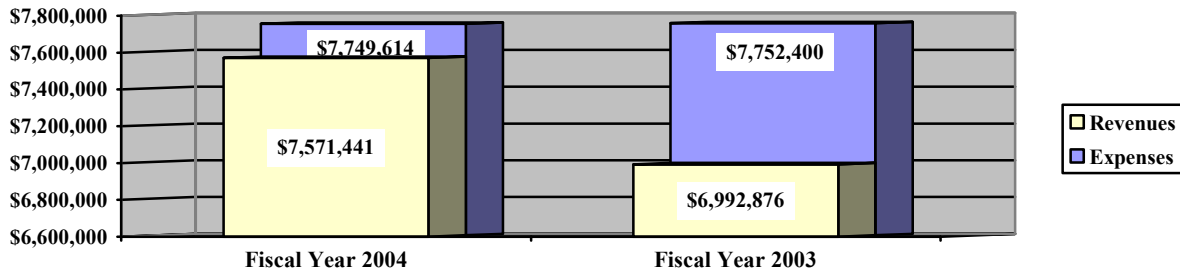
The District's financial condition has declined over the years, primarily due to enrollment declines. Future increases in state funding are projected to be inflationary.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

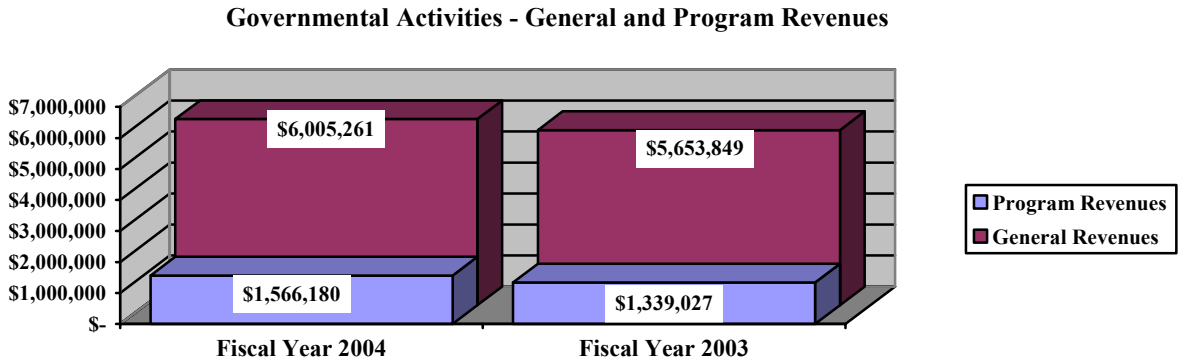
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,429,700	\$ 3,088,846	\$ 3,168,105	\$ 3,057,626
Special	695,474	550,345	743,026	546,644
Vocational	10,824	10,824	24,297	24,297
Other	595,031	9,552	605,778	14,723
Support services:				
Pupil	271,479	271,479	258,310	258,310
Instructional staff	269,578	266,653	314,277	312,702
Board of education	13,774	13,774	10,358	10,358
Administration	496,718	491,718	516,292	511,292
Fiscal	183,653	183,653	173,529	173,529
Business	39,032	39,032	49,716	49,716
Operations and maintenance	722,240	718,669	785,602	769,314
Pupil transportation	457,429	350,402	499,301	410,283
Central	9,000	-	-	-
Operation of non-instructional services	234	3	-	-
Extracurricular activities	159,704	60,295	207,213	138,239
Food service operations	275,117	7,562	273,435	13,179
Interest and fiscal charges	<u>120,627</u>	<u>120,627</u>	<u>123,161</u>	<u>123,161</u>
<b>Total expenses</b>	<u>\$ 7,749,614</u>	<u>\$ 6,183,434</u>	<u>\$ 7,752,400</u>	<u>\$ 6,413,373</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The dependence upon tax and other general revenues for governmental activities is apparent, 77.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.79%. 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 2004 and 2003.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on pages 15) reported a combined fund deficit of \$258,244, which is lower than last year's deficit of \$954,406. The schedule below indicates the fund balances/deficits and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance/(Deficit) <u>June 30, 2004</u>	Fund Balance/(Deficit) <u>June 30, 2003</u>	<u>Increase</u>
General	\$ (532,931)	\$ (1,109,028)	\$ 576,097
Emergency Levy	(12,002)	(31,750)	19,748
Permanent Improvement	231,384	143,961	87,423
Other Governmental	<u>63,236</u>	<u>42,411</u>	<u>20,825</u>
Total	<u>\$ (250,313)</u>	<u>\$ (954,406)</u>	<u>\$ 704,093</u>

**General Fund**

The District's general fund deficit decreased \$576,097. The increase in fund balance can be attributed to revenue increases exceeding the increase in expenditures. This is primarily due to the proceeds received from the State Solvency loan. 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, 2004  
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	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,335,923	\$ 1,265,239	5.59 %
Tuition	210,034	19,726	964.76 %
Earnings on investments	3,748	4,922	(23.85) %
Intergovernmental	3,903,285	3,694,190	5.66 %
Other revenues	<u>648,345</u>	<u>648,148</u>	0.03 %
Total	<u>\$ 6,101,335</u>	<u>\$ 5,632,225</u>	8.33 %
<b><u>Expenditures</u></b>			
Instruction	\$ 4,276,965	\$ 4,044,414	5.75 %
Support services	1,922,200	2,019,782	(4.83) %
Operation of non-instructional services	10	-	100.00 %
Extracurricular activities	75,053	99,753	(24.76) %
Facilities acquisition and construction	3,200	-	100.00 %
Capital outlay	<u>-</u>	<u>6,900</u>	(100.00) %
Total	<u>\$ 6,277,428</u>	<u>\$ 6,170,849</u>	1.73 %

**Emergency Levy Fund**

The District's Emergency Levy fund's fund deficit decreased \$19,748 from \$31,750 to \$12,002. This increase was due to transfers in from other funds.

**Permanent Improvement Fund**

The District's permanent improvement fund's fund balance increased \$87,423. This increase was due to a decrease in expenditures.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$7,131,954, which was higher than the original budgeted revenues estimate of \$6,699,057. Actual revenues and other financing sources for fiscal 2004 were \$7,132,347. This represents a \$393 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$6,301,780 and the final appropriations were \$6,751,694. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$6,751,694, which was equal to the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$10,076,593 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 2004 balances compared to balances of 2003:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 91,792	\$ 91,792
Land improvements	-	-
Building and improvements	9,629,760	9,830,186
Furniture and equipment	174,380	213,195
Vehicles	<u>180,661</u>	<u>223,189</u>
Total	<u>\$ 10,076,593</u>	<u>\$ 10,358,362</u>

Total additions to capital assets for 2004 were \$57,103 and total disposals were \$1,660 (net of accumulated depreciation). The overall decrease in capital assets of \$281,769 is primarily due to the recording of \$269,693 in depreciation expense for fiscal 2004.

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

***Debt Administration***

At June 30, 2004, the District had \$2,904,673 in general obligation bonds and loans outstanding. Of this total, \$106,038 is due within one year and \$2,798,635 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 2,045,734	\$ 2,110,784
Asbestos loan	73,939	84,977
State solvency loan	<u>785,000</u>	<u>-</u>
Total	<u>\$ 2,904,673</u>	<u>\$ 2,195,761</u>

At June 30, 2004, the District's overall legal debt margin was \$4,551,098 with an unvoted debt margin of \$72,603.

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, 2004  
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, it is in a situation where an operating levy has to be passed by District voters in 2004 in order for the District to obtain the necessary funds to meet its operating expenses in the future. Without the passage of an operating levy, further reductions in staffing are inevitable.

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

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kathryn Sines, Treasurer, Bristol Local School District, 1845 Greenville NW, P.O. Box 260, Bristolville, Ohio 44402-0260.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 343,329
Receivables:	
Taxes . . . . .	2,117,134
Accounts . . . . .	36,207
Materials and supplies inventory . . . . .	4,160
Capital assets:	
Land . . . . .	91,792
Depreciable capital assets, net . . . . .	9,984,801
Total capital assets, net . . . . .	10,076,593
Total assets. . . . .	12,577,423
<b>Liabilities:</b>	
Accounts payable. . . . .	20,071
Accrued wages and benefits . . . . .	481,277
Pension obligation payable. . . . .	148,921
Intergovernmental payable . . . . .	30,380
Deferred revenue . . . . .	1,956,554
Accrued interest payable . . . . .	6,696
Long-term liabilities:	
Due within one year. . . . .	550,449
Due in more than one year . . . . .	2,913,416
Total liabilities . . . . .	6,107,764
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	8,030,859
Restricted for:	
Debt service. . . . .	70,088
Capital projects . . . . .	238,571
Other purposes . . . . .	238,334
Unrestricted (deficit) . . . . .	(2,108,193)
Total net assets . . . . .	\$ 6,469,659

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, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,429,700	\$ 229,183	\$ 111,671	\$ -	\$ (3,088,846)
Special . . . . .	695,474	-	125,329	19,800	(550,345)
Vocational . . . . .	10,824	-	-	-	(10,824)
Other . . . . .	595,031	585,479	-	-	(9,552)
Support services:					
Pupil . . . . .	271,479	-	-	-	(271,479)
Instructional staff . . . . .	269,578	-	2,925	-	(266,653)
Board of education . . . . .	13,774	-	-	-	(13,774)
Administration . . . . .	496,718	-	5,000	-	(491,718)
Fiscal . . . . .	183,653	-	-	-	(183,653)
Business . . . . .	39,032	-	-	-	(39,032)
Operations and maintenance . . . . .	722,240	-	3,571	-	(718,669)
Pupil transportation . . . . .	457,429	-	107,027	-	(350,402)
Central . . . . .	9,000	-	9,000	-	-
Operation of non-instructional services . . . . .	234	139	92	-	(3)
Extracurricular activities . . . . .	159,704	99,409	-	-	(60,295)
Food service operations . . . . .	275,117	160,978	106,577	-	(7,562)
Interest and fiscal charges . . . . .	120,627	-	-	-	(120,627)
<b>Totals . . . . .</b>	<b>\$ 7,749,614</b>	<b>\$ 1,075,188</b>	<b>\$ 471,192</b>	<b>\$ 19,800</b>	<b>(6,183,434)</b>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	1,356,051
Special revenue . . . . .	329,873
Debt service . . . . .	185,303
Capital projects . . . . .	93,226
Grants and entitlements not restricted to specific programs . . . . .	3,980,131
Investment earnings . . . . .	3,873
Miscellaneous . . . . .	56,804
<b>Total general revenues . . . . .</b>	<b>6,005,261</b>
Change in net assets . . . . .	(178,173)
<b>Net assets at beginning of year . . . . .</b>	<b>6,647,832</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 6,469,659</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Emergency Levy</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ -	\$ 138,446	\$ 135,031	\$ 273,477
Receivables:					
Taxes . . . . .	1,472,723	325,537	100,245	218,629	2,117,134
Accounts . . . . .	142	-	-	36,065	36,207
Interfund loans . . . . .	-	-	92,700	-	92,700
Materials and supplies inventory . . . . .	-	-	-	4,160	4,160
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	69,852	-	-	-	69,852
<b>Total assets . . . . .</b>	<b>\$ 1,542,717</b>	<b>\$ 325,537</b>	<b>\$ 331,391</b>	<b>\$ 393,885</b>	<b>\$ 2,593,530</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 5,771	\$ 13,355	\$ 179	\$ 766	\$ 20,071
Accrued wages and benefits . . . . .	473,235	-	-	8,042	481,277
Compensated absences payable . . . . .	17,673	-	-	3,677	21,350
Pension obligation payable . . . . .	84,398	-	-	5,330	89,728
Intergovernmental payable . . . . .	27,967	-	-	2,413	30,380
Interfund loans payable . . . . .	-	-	-	92,700	92,700
Deferred revenue . . . . .	1,466,604	324,184	99,828	217,721	2,108,337
<b>Total liabilities . . . . .</b>	<b>2,075,648</b>	<b>337,539</b>	<b>100,007</b>	<b>330,649</b>	<b>2,843,843</b>
<b>Fund Balances:</b>					
Reserved for materials and supplies inventory . . . . .	-	-	-	4,160	4,160
Reserved for property tax unavailable for appropriation . . . . .	6,119	1,353	417	908	8,797
Reserved for school bus purchase . . . . .	25,506	-	-	-	25,506
Reserved for textbooks/instructional supplies . . . . .	117,450	-	-	-	117,450
Reserved for debt service . . . . .	-	-	-	62,565	62,565
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	(682,006)	-	-	-	(682,006)
Special revenue funds . . . . .	-	(13,355)	-	(4,397)	(17,752)
Capital projects funds . . . . .	-	-	230,967	-	230,967
<b>Total fund balances (deficits) . . . . .</b>	<b>(532,931)</b>	<b>(12,002)</b>	<b>231,384</b>	<b>63,236</b>	<b>(250,313)</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 1,542,717</b>	<b>\$ 325,537</b>	<b>\$ 331,391</b>	<b>\$ 393,885</b>	<b>\$ 2,593,530</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$ (250,313)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,076,593
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 151,783	
Total		151,783
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Solvency loan	785,000	
General obligation bonds	2,045,734	
Asbestos loan payable	73,939	
Compensated absences	537,842	
Pension obligation payable	59,193	
Accrued interest payable	6,696	
Total		(3,508,404)
<b>Net assets of governmental activities</b>		\$ 6,469,659

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, 2004

	General	Emergency Levy	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 1,335,923	\$ 296,424	\$ 91,979	\$ 210,638	\$ 1,934,964
Tuition. . . . .	210,034	-	-	-	210,034
Charges for services. . . . .	-	-	-	161,117	161,117
Earnings on investments. . . . .	3,748	-	-	125	3,873
Extracurricular. . . . .	-	-	-	99,181	99,181
Classroom materials and fees . . . . .	-	-	-	13,087	13,087
Other local revenues . . . . .	648,345	-	-	3,799	652,144
Intergovernmental - State . . . . .	3,903,285	39,004	12,113	153,764	4,108,166
Intergovernmental - Federal. . . . .	-	-	-	359,386	359,386
Total revenues. . . . .	<u>6,101,335</u>	<u>335,428</u>	<u>104,092</u>	<u>1,001,097</u>	<u>7,541,952</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	3,129,981	-	923	128,419	3,259,323
Special. . . . .	587,451	-	-	116,590	704,041
Vocational. . . . .	10,824	-	-	-	10,824
Other . . . . .	548,709	46,322	-	-	595,031
Support Services:					
Pupil. . . . .	269,035	-	-	-	269,035
Instructional staff . . . . .	269,471	-	-	2,925	272,396
Board of education . . . . .	13,774	-	-	-	13,774
Administration. . . . .	485,956	4,580	-	4,968	495,504
Fiscal . . . . .	174,607	4,825	1,500	1,945	182,877
Business . . . . .	39,032	-	-	-	39,032
Operations and maintenance. . . . .	421,883	250,261	1,525	31,749	705,418
Pupil transportation . . . . .	248,442	64,753	-	110,303	423,498
Central. . . . .	-	-	-	9,000	9,000
Food service operations . . . . .	-	-	-	256,061	256,061
Operation of non-instructional services . . . . .	10	-	-	224	234
Extracurricular activities. . . . .	75,053	45	-	82,996	158,094
Facilities acquisition and construction . . . . .	3,200	-	12,721	15,063	30,984
Debt service:					
Principal retirement . . . . .	-	-	-	501,038	501,038
Interest and fiscal charges . . . . .	-	-	-	96,028	96,028
Total expenditures . . . . .	<u>6,277,428</u>	<u>370,786</u>	<u>16,669</u>	<u>1,357,309</u>	<u>8,022,192</u>
Excess of revenues over (under) expenditures. . . . .	<u>(176,093)</u>	<u>(35,358)</u>	<u>87,423</u>	<u>(356,212)</u>	<u>(480,240)</u>
<b>Other financing sources (uses):</b>					
Transfers in. . . . .	25,000	55,106	-	403,710	483,816
Transfers (out) . . . . .	(458,816)	-	-	(25,000)	(483,816)
Proceeds from sale of capital assets . . . . .	1,006	-	-	-	1,006
Proceeds of solvency loan . . . . .	785,000	-	-	-	785,000
Proceeds of tax anticipation note . . . . .	400,000	-	-	-	400,000
Total other financing sources (uses) . . . . .	<u>752,190</u>	<u>55,106</u>	<u>-</u>	<u>378,710</u>	<u>1,186,006</u>
Net change in fund balances . . . . .	576,097	19,748	87,423	22,498	705,766
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>(1,109,028)</b>	<b>(31,750)</b>	<b>143,961</b>	<b>42,411</b>	<b>(954,406)</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,673)</b>	<b>(1,673)</b>
<b>Fund balances (deficits) at end of year . . . . .</b>	<b><u>\$ (532,931)</u></b>	<b><u>\$ (12,002)</u></b>	<b><u>\$ 231,384</u></b>	<b><u>\$ 63,236</u></b>	<b><u>\$ (250,313)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	705,766
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$269,693) exceeded capital outlays (\$57,103) in the current period.		(212,590)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(1,660)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		(1,673)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		29,489
Repayment of bond, loan and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		501,038
Proceeds of tax anticipation notes and state solvency loans are recorded as revenues in the funds, however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets.		(1,185,000)
Accreted interest accrued on capital appreciation bonds is not reported in the funds, however, on the statement of activities this is reported as an expense as it increases liabilities on the statement of net assets.		(24,950)
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		351
Some expenses reported in the statement of activities, such as compensated absences and pension obligations do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		11,056
		11,056
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(178,173)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 864,524	\$ 936,135	\$ 936,135	\$ -
Tuition . . . . .	193,968	210,035	210,035	-
Earnings on investments . . . . .	3,098	3,355	3,748	393
Other local revenues . . . . .	569,596	616,778	616,778	-
Intergovernmental - State . . . . .	3,594,918	3,892,698	3,892,698	-
Total revenues . . . . .	<u>5,226,104</u>	<u>5,659,001</u>	<u>5,659,394</u>	<u>393</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,986,052	3,221,400	3,221,400	-
Special . . . . .	455,948	593,559	593,559	-
Vocational . . . . .	25,348	11,004	11,004	-
Other . . . . .	541,680	541,680	541,680	-
Support Services:				
Pupil . . . . .	246,322	283,269	283,269	-
Instructional staff . . . . .	282,688	295,265	295,265	-
Board of education . . . . .	11,200	14,139	14,139	-
Administration . . . . .	474,111	501,813	501,813	-
Fiscal . . . . .	154,958	174,885	174,885	-
Business . . . . .	38,714	44,294	44,294	-
Operations and maintenance . . . . .	438,181	445,361	445,361	-
Pupil transportation . . . . .	248,852	263,852	263,852	-
Extracurricular activities . . . . .	99,500	75,441	75,441	-
Facilities acquisition and construction . . . . .	7,200	7,100	7,100	-
Total expenditures . . . . .	<u>6,010,754</u>	<u>6,473,062</u>	<u>6,473,062</u>	<u>-</u>
Excess of revenues over (under) expenditures . . . . .	<u>(784,650)</u>	<u>(814,061)</u>	<u>(813,668)</u>	<u>393</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	31,544	31,544	31,544	-
Transfers in . . . . .	255,403	255,403	255,403	-
Transfers (out) . . . . .	(291,026)	(278,632)	(278,632)	-
Proceeds of solvency loans . . . . .	785,000	785,000	785,000	-
Proceeds of tax anticipation note . . . . .	400,000	400,000	400,000	-
Proceeds from sale of capital assets . . . . .	1,006	1,006	1,006	-
Total other financing sources (uses) . . . . .	<u>1,181,927</u>	<u>1,194,321</u>	<u>1,194,321</u>	<u>-</u>
Net change in fund balance . . . . .	397,277	380,260	380,653	393
<b>Fund balance at beginning of year . . . . .</b>	<u>(310,801)</u>	<u>(310,801)</u>	<u>(310,801)</u>	<u>-</u>
<b>Fund deficit at end of year . . . . .</b>	<u>\$ 86,476</u>	<u>\$ 69,459</u>	<u>\$ 69,852</u>	<u>\$ 393</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, 2004

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 327,196	\$ 296,383	\$ 296,383	\$ -
Intergovernmental - State . . . . .	39,004	39,004	39,004	-
Total revenue . . . . .	<u>366,200</u>	<u>335,387</u>	<u>335,387</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Other. . . . .	63,000	51,068	51,068	-
Support Services:				
Administration. . . . .	10,000	4,449	4,449	-
Fiscal . . . . .	4,000	4,825	4,825	-
Operations and maintenance. . . . .	213,500	258,744	258,744	-
Pupil transportation . . . . .	75,500	71,407	71,407	-
Total expenditures . . . . .	<u>366,000</u>	<u>390,493</u>	<u>390,493</u>	<u>-</u>
Excess of revenues over (under) expenditures. . . . .	<u>200</u>	<u>(55,106)</u>	<u>(55,106)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	55,106	55,106	-
Total other financing sources (uses) . . . . .	<u>-</u>	<u>55,106</u>	<u>55,106</u>	<u>-</u>
Net change in fund balance . . . . .	200	-	-	-
<b>Fund balance at beginning of year. . . . .</b>	-	-	-	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 1,000	\$ 15,978
Total assets . . . . .	<u>1,000</u>	<u>\$ 15,978</u>
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 15,978
Total liabilities . . . . .	<u>-</u>	<u>\$ 15,978</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>1,000</u>	
Total net assets . . . . .	<u>\$ 1,000</u>	

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, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	\$ 500
Change in net assets . . . . .	(500)
<b>Net assets at beginning of year. . . . .</b>	<b>1,500</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 1,000</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**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 516<sup>th</sup> largest by enrollment among the 613 public school districts in the state. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 37 non-certified and 64 certificated personnel to provide services to approximately 913 students and other community members

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(CONTINUED)**

**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, 2004  
(CONTINUED)**

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

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

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

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

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.



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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(CONTINUED)**

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund 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 2004, 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(CONTINUED)**

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

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$3,748, which includes interest 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 Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

<u>Description</u>	Governmental Activities <u>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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(CONTINUED)**

**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 17 for details.

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis 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 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
General fund	\$ 532,931
Emergency levyl fund	12,002
<u>Nonmajor Funds</u>	
Food Service	67,977
Classroom Facilities & Maintenance	106
EMIS	29
DPIA	55
Summer School	192
Teacher on Loan	580
Title VI-B	542
Title I	2,705
Title VI	56
Title II	71
Miscellaneous Grants	28

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$58,106 and the bank balance was \$63,785. The entire balance was covered by federal depository insurance:

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

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



**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

	<u>Reported Amount</u>	<u>Fair Value</u>
Not subject to categorization:		
Investment in STAR Ohio	<u>\$ 302,201</u>	<u>\$ 302,201</u>
Total investments	<u>\$ 302,201</u>	<u>\$ 302,201</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 360,307	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(302,201)</u>	<u>302,201</u>
GASB Statement No. 3	<u>\$ 58,106</u>	<u>\$ 302,201</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund loans for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Permanent Improvement	Nonmajor Governmental Funds	\$ 92,700

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, 2004 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:		
Emergency Levy Fund		\$ 55,106
Nonmajor Governmental Funds		403,710
Transfers from Nonmajor Funds to:		
General Fund		<u>25,000</u>
Total Transfers		<u>\$ 483,816</u>

**BRISTOL LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. 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, 2004, are available to finance fiscal year 2004 operations. The amount available as an advanced can vary based on the date the tax bills are sent.

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

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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, 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 fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$6,330 in the general fund, \$776 in the debt service fund (a nonmajor governmental fund), \$1,312 in the Emergency Levy fund, \$201 in the Classroom Facilities fund (a nonmajor governmental fund), and \$440 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 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 67,035,840	93.82	\$ 68,521,410	94.38
Public Utility Personal	3,088,990	4.32	2,935,630	4.04
Tangible Personal Property	<u>1,326,102</u>	<u>1.86</u>	<u>1,145,931</u>	<u>1.58</u>
Total	<u>\$ 71,450,932</u>	<u>100.00</u>	<u>\$ 72,602,971</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation		 \$46.75		 \$46.10

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, internal loans and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental Activities:</b>	
Property taxes	\$ 2,117,134
Accounts	<u>36,207</u>
Total	<u>\$ 2,153,341</u>

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/04</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 91,792	\$ -	\$ -	\$ 91,792
Total capital assets, not being depreciated	<u>91,792</u>	<u>-</u>	<u>-</u>	<u>91,792</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	21,826	-	-	21,826
Building and improvements	11,135,244	27,041	-	11,162,285
Furniture and equipment	641,605	22,562	-	664,167
Vehicles	465,670	7,500	(62,653)	410,517
Total capital assets, being depreciated	<u>12,264,345</u>	<u>57,103</u>	<u>(62,653)</u>	<u>12,258,795</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(21,826)	-	-	(21,826)
Building and improvements	(1,320,143)	(212,382)	-	(1,532,525)
Furniture and equipment	(472,024)	(17,763)	-	(489,787)
Vehicles	(251,301)	(39,548)	60,993	(229,856)
Total accumulated depreciation	<u>(2,065,294)</u>	<u>(269,693)</u>	<u>60,993</u>	<u>(2,273,994)</u>
Governmental activities capital assets, net	<u>\$ 10,290,843</u>	<u>\$ (212,590)</u>	<u>\$ (1,660)</u>	<u>\$ 10,076,593</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 173,370
Special	11,650
<u>Support Services:</u>	
Pupil	1,409
Instructional Staff	6,730
Administration	6,163
Fiscal	523
Operations and Maintenance	10,804
Pupil Transportation	39,547
Extracurricular Activities	1,610
Food Service Operation	<u>17,887</u>
Total depreciation expense	<u>\$ 269,693</u>

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**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/04</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
Current interest bonds	3.9-5.25%	\$ 1,810,000	\$ -	\$ (90,000)	\$ 1,720,000	\$ -
Capital appreciation bonds	8.15%	<u>300,784</u>	<u>24,950</u>	<u>-</u>	<u>325,734</u>	<u>95,000</u>
Total general obligation bonds payable		<u>\$ 2,110,784</u>	<u>\$ 24,950</u>	<u>\$ (90,000)</u>	<u>\$ 2,045,734</u>	<u>\$ 95,000</u>
<u>Other Long-Term Obligations:</u>						
Asbestos loan	N/A	\$ 84,977	\$ -	\$ (11,038)	\$ 73,939	\$ 11,038
State solvency loan	N/A	-	785,000	-	785,000	392,500
Compensated absences	N/A	<u>592,564</u>	<u>30,561</u>	<u>(63,933)</u>	<u>559,192</u>	<u>51,911</u>
Total other long-term obligations		<u>\$ 677,541</u>	<u>\$ 815,561</u>	<u>\$ (74,971)</u>	<u>\$ 1,418,131</u>	<u>\$ 455,449</u>
Total governmental activities		<u>\$ 2,788,325</u>	<u>\$ 840,511</u>	<u>\$ (164,971)</u>	<u>\$ 3,463,865</u>	<u>\$ 550,449</u>

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

This issue is comprised of both current interest bonds, par value \$2,140,000, and capital appreciation bonds, par value \$380,000. The interest rates on the current interest bonds range from 3.90% to 5.25%. The capital appreciation bonds mature on December 1, 2004 (effective interest 9.00%), December 1, 2005 (effective interest 8.15%), December 1, 2006 (effective interest 8.15%), and December 1, 2007 (effective interest 8.15%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported as long-term liabilities on the statement of net assets at June 30, 2004 was \$193,870. A total of \$131,864 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2004.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*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 year 2004, 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.

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2004, 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>
2005	\$ -	\$ 82,908	\$ 82,908	\$ 95,000	\$ -	\$ 95,000
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 - 2014	535,000	355,196	890,196	-	-	-
2015 - 2019	715,000	197,761	912,761	-	-	-
2020 - 2023	375,000	19,819	394,819	-	-	-
<b>Total</b>	<b>\$ 1,720,000</b>	<b>\$ 1,005,083</b>	<b>\$ 2,725,083</b>	<b>\$ 380,000</b>	<b>\$ -</b>	<b>\$ 380,000</b>

<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>
2005	\$ 11,038	\$ -	\$ 11,038	\$ 392,500	\$ -	\$ 392,500
2006	11,038	-	11,038	392,500	-	392,500
2007	11,038	-	11,038	-	-	-
2008	11,038	-	11,038	-	-	-
2009	11,038	-	11,038	-	-	-
2010 - 2014	18,749	-	18,749	-	-	-
2015 - 2019	-	-	-	-	-	-
2020 - 2023	-	-	-	-	-	-
<b>Total</b>	<b>\$ 73,939</b>	<b>\$ -</b>	<b>\$ 73,939</b>	<b>\$ 785,000</b>	<b>\$ -</b>	<b>\$ 785,000</b>

**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, 2004 are a voted debt margin of \$4,551,098 (including available funds of \$62,565) and an unvoted debt margin of \$72,603.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - NOTES PAYABLE**

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

	Interest	Issue	Notes		Notes	
	<u>Rate</u>	<u>Date</u>	<u>Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
			<u>06/30/03</u>			<u>06/30/04</u>
Tax anticipation notes	3.0%	7/1/2003	\$ <u>          -</u>	\$ <u>400,000</u>	\$ <u>(400,000)</u>	\$ <u>          -</u>

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement 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 12 - RISK MANAGEMENT**

**A. Comprehensive**

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

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**NOTE 12 - RISK MANAGEMENT - (Continued)**

Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$500,000 for each accident, medical coverage of \$5,000 per person, and uninsured motorist of \$500,000 for each accident with a collision deductible of \$500.

Real property and contents are fully insured. Real property is 90% co-insured. Limits of insurance on real property and equipment are \$6,605,800 with a deductible of \$1,000.

The District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from fiscal 2003.

**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 participates or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**C. OSBA Group Workers' Compensation Rating Plan**

For fiscal year 2004, 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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$117,125, \$125,634, and \$118,126, respectively; 79.10% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$24,483, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account.

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 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 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 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 contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$421,161, \$402,283, and \$384,768, respectively; 92.09% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$33,294 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$556 made by the School District and \$4,059 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$30,083 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$368,739 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. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. 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. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, 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 \$55,501 during the 2004 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund 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);

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>	<u>Emergency Levy</u>
Budget basis	\$ 380,653	\$ -
Net adjustment for revenue accruals	441,941	41
Net adjustment for expenditure accruals	195,634	19,707
Net adjustment for other sources/uses	<u>(442,131)</u>	<u>-</u>
GAAP basis	<u>\$ 576,097</u>	<u>\$ 19,748</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**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.

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**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ 46,007	\$ -
Current year set-aside requirement	128,204	128,204
Qualifying disbursements	<u>(56,761)</u>	<u>(15,064)</u>
Total	<u>\$ 117,450</u>	<u>\$ 113,140</u>
Balance carried forward to FY 2005	<u>\$ 117,450</u>	<u>\$ 113,140</u>
Amount to limit set-aside to cash available	<u>\$ (73,104)</u>	<u>\$ (113,140)</u>
Total restricted	<u>\$ 44,346</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 \$25,506 at June 30, 2004. This balance is reported as restricted equity in pooled cash and reserved fund balance.

**NOTE 18 - SIGNIFICANT EVENT**

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

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To The Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bristol Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

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

February 28, 2005



BRISTOL LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2004

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	5705.10 Ohio Revised Code negative Fund Balances	Fully Corrected	





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
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800-282-0370

Facsimile 614-466-4490

**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**

**APRIL 12, 2005**