



**Auditor of State
Betty Montgomery**

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2006**

Local Government Services Section

Bristol Local School District
Trumbull County

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**Auditor of State
Betty Montgomery**

Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Bristol Local School District, Trumbull County, Ohio, and issued a report dated March 9, 2006. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2005 of \$104,000 after meeting the required reserves for textbooks and bus purchases.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2007 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2006 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2006.

Peter R. Sorem
Chief of Local Government Services

May 3, 2006

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**Auditor of State
Betty Montgomery**

Board of Education
Bristol Local School District
1845 Greenville Road
P.O. Box 260
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Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Bristol Local School District for the fiscal year ending June 30, 2006. The Bristol Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Bristol Local School District for the fiscal years ended June 30, 2003, 2004 and 2005 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

April 24, 2006

BRISTOL LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 THROUGH 2005 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2006 FORECASTED
GENERAL FUND

| | Fiscal Year 2003 Actual | Fiscal Year 2004 Actual | Fiscal Year 2005 Actual | Fiscal Year 2006 Forecasted |
|--|----------------------------|----------------------------|----------------------------|--------------------------------|
| Revenues | | | | |
| General Property Taxes | \$1,506,000 | \$1,604,000 | \$1,625,000 | \$1,956,000 |
| Tangible Personal Property Taxes | 53,000 | 47,000 | 45,000 | 40,000 |
| Unrestricted Grants-in-Aid | 3,312,000 | 3,715,000 | 3,479,000 | 3,502,000 |
| Restricted Grants-in-Aid | 225,000 | 18,000 | 25,000 | 24,000 |
| Property Tax Allocation | 203,000 | 216,000 | 221,000 | 257,000 |
| All Other Revenues | 83,000 | 277,000 | 228,000 | 241,000 |
| <i>Total Revenues</i> | <u>5,382,000</u> | <u>5,877,000</u> | <u>5,623,000</u> | <u>6,020,000</u> |
| Other Financing Sources | | | | |
| Solvency Assistance Advance | 0 | 785,000 | 345,000 | 0 |
| Proceeds of Notes | 400,000 | 400,000 | 0 | 0 |
| Advances In | 50,000 | 0 | 0 | 16,000 |
| Operating Transfers In | 50,000 | 73,000 | 0 | 0 |
| <i>Total Other Financing Sources</i> | <u>500,000</u> | <u>1,258,000</u> | <u>345,000</u> | <u>16,000</u> |
| <i>Total Revenues and Other Financing Sources</i> | <u>5,882,000</u> | <u>7,135,000</u> | <u>5,968,000</u> | <u>6,036,000</u> |
| Expenditures | | | | |
| Personal Services | 3,432,000 | 3,503,000 | 2,926,000 | 2,803,000 |
| Employees' Retirement/Insurance Benefits | 1,473,000 | 1,582,000 | 1,316,000 | 1,103,000 |
| Purchased Services | 654,000 | 1,048,000 | 1,115,000 | 1,337,000 |
| Supplies and Materials | 144,000 | 75,000 | 63,000 | 80,000 |
| Capital Outlay | 58,000 | 8,000 | 0 | 6,000 |
| Debt Service: | | | | |
| Principal- Asbestos Loan | 11,000 | 11,000 | 11,000 | 11,000 |
| Principal- Solvency Assistance | 0 | 0 | 393,000 | 565,000 |
| Principal- Note | 400,000 | 400,000 | 0 | 0 |
| Interest | 7,000 | 7,000 | 0 | 0 |
| Other Objects | 92,000 | 106,000 | 99,000 | 105,000 |
| <i>Total Expenditures</i> | <u>6,271,000</u> | <u>6,740,000</u> | <u>5,923,000</u> | <u>6,010,000</u> |
| Other Financing Uses | | | | |
| Operating Transfers Out | 0 | 0 | 6,000 | 0 |
| Advances Out | 50,000 | 0 | 16,000 | 0 |
| <i>Total Other Financing Uses</i> | <u>50,000</u> | <u>0</u> | <u>22,000</u> | <u>0</u> |
| <i>Total Expenditures and Other Financing Uses</i> | <u>6,321,000</u> | <u>6,740,000</u> | <u>5,945,000</u> | <u>6,010,000</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | (439,000) | 395,000 | 23,000 | 26,000 |
| Cash Balance (Deficit) July 1 | 100,000 | (339,000) | 56,000 | 79,000 |
| Cash Balance (Deficit) June 30 | <u>(339,000)</u> | <u>56,000</u> | <u>79,000</u> | <u>105,000</u> |
| Encumbrances and Reserves: | | | | |
| Actual/Estimated Encumbrances June 30 | 64,000 | 0 | 9,000 | 0 |
| Reservations of Fund Balance for: | | | | |
| Textbooks | 46,000 | 148,000 | 210,000 | 165,000 |
| Bus Purchase | 22,000 | 26,000 | 35,000 | 44,000 |
| Total Encumbrances and Reserves of Fund Balance | <u>132,000</u> | <u>174,000</u> | <u>254,000</u> | <u>209,000</u> |
| Unencumbered/Unreserved Fund Balance (Deficit) June 30 | <u>(\$471,000)</u> | <u>(\$118,000)</u> | <u>(\$175,000)</u> | <u>(\$104,000)</u> |

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

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

Note 1 – The School District

The Bristol Local School District the (School District) is located in Trumbull County and encompasses all of the Townships of Bristol and Farmington and the Village of West Farmington. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one comprehensive school. The School District is staffed by 27 non-certified and 57 certificated personnel to provide services to approximately 778 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Bristol Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of April 24, 2006, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

B. - Fund Accounting

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

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

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

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

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

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue includes amounts levied against all real, public utility real and tangible, and business tangible personal property located in the School District. Property tax revenue received during calendar year 2005 for real and public utility property taxes represents collections of calendar year 2004 taxes. Property tax payments received during calendar year 2005 for tangible personal property (other than public utility property) are for calendar year 2005 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

The forecast excludes the receipt of any advances against fiscal year 2007 schedule property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

operating surplus may be increased to the extent advances are received prior to June 30, 2006 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2006.

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

| Tax Levies | Year Approved | Last Year of Collection | Full Tax Rate (per \$1,000 of assessed valuation) |
|-------------------------------|------------------|----------------------------|---|
| Inside Ten Mill Limitation | n/a | n/a | \$5.20 |
| Continuing Operating | 1976 | n/a | 17.40 |
| Continuing Operating | 1977 | n/a | 7.50 |
| Continuing Operating | 1987 | n/a | 8.00 |
| Emergency (\$400,000) | 2005 | 2009 | 4.70 |
| Emergency Renewal (\$330,000) | 2005 | 2010 | 3.90 |
| Total Tax Rate | | | <u>\$46.70</u> |

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

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Trumbull County Auditor. The School District anticipates an increase of \$331,000 from the prior fiscal year primarily due to a half year of collection on the \$400,000 emergency levy passed in February 2005 and an increase in the assessed values due to the revaluation of property in Trumbull County.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases to revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually; the revenue generated is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies plus inside millage (excluding emergency levies) below 20 mills. The effective residential and agricultural real property tax rate is \$28.60 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$29.00 per \$1,000 of assessed valuation for collection year 2006.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it was completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the 2005 tangible personal property tax collections, will lose approximately \$45,000 when the tangible personal property tax is completely phased out in 2009. These changes do not affect tangible personal property of public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation Revenue below).

Tangible personal property tax revenues include the actual settlement for October 2005 and an estimate for the June 2006 personal property tax settlement. The School District receives approximately 90 percent of the tangible personal property tax revenue in the October settlement. The effect of the tax changes on the June 2006 personal property settlement will not be significant to the personal property tax revenue for fiscal year 2006. Based upon these estimates, the School District anticipates a decrease of \$5,000 from the previous fiscal year. The decrease in revenue for the forecast period compared to the prior fiscal year is due to reductions in the percentages used to calculate the assessed valuation.

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

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level has been set by the State Legislature as follows:

| Fiscal Year | Per Pupil Foundation Level |
|----------------|-------------------------------|
| 2003 | \$4,949 |
| 2004 | 5,058 |
| 2005 | 5,169 |
| 2006 | 5,283 |

The anticipated unrestricted grants-in-aid for fiscal year 2006 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the December school foundation statement for fiscal year 2006 and the amounts for the last three fiscal years are as follows:

| | Actual Fiscal Year 2003 | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Forecasted Fiscal Year 2006 | Variance Increase (Decrease) |
|---|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| Formula Aid | \$2,961,000 | \$2,925,000 | \$2,677,000 | \$2,646,000 | (\$31,000) |
| Categorical Funding | 198,000 | 165,000 | 161,000 | 159,000 | (2,000) |
| Transportation | 253,000 | 249,000 | 216,000 | 220,000 | 4,000 |
| Parity Aid | 0 | 288,000 | 334,000 | 342,000 | 8,000 |
| Charge off Supplement | 0 | 0 | 0 | 25,000 | 25,000 |
| Transitional Aid Guarantee | 0 | 0 | 0 | 41,000 | 41,000 |
| Foundation Adjustments | (112,000) | 74,000 | 70,000 | 50,000 | (20,000) |
| Total Foundation | 3,300,000 | 3,701,000 | 3,458,000 | 3,483,000 | 25,000 |
| Utility Deregulation | 12,000 | 14,000 | 21,000 | 19,000 | (2,000) |
| Total Unrestricted Grants-in-Aid | \$3,312,000 | \$3,715,000 | \$3,479,000 | \$3,502,000 | \$23,000 |

Formula Aid is anticipated to decrease from the prior fiscal year due to a decline in ADM of 11 and an increase in the 23 mill charge off, offset by an increase in per pupil funding. Parity aid continues its phase in with the percentage of distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, to 100 percent in fiscal year 2006. The charge off supplement is known as GAP aid because of its intent to fill in any gap that exists between the local revenue raised by the School District and the amount the foundation formula assumes the School District should raise to meet its local share of formula aid, special education and vocational education weighted aid and transportation aid. Transitional aid guarantee is intended to ease the impact of the many changes made in the formula for fiscal year 2006. 100 percent of the previous year's base is guaranteed.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are recorded as "Utility Deregulation."

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2006, the School District anticipates \$9,000 in bus purchase allowance, \$5,000 in career tech monies and \$10,000 in Poverty Based Assistance monies which replaced the DPIA program. The \$207,000 decrease from fiscal year 2003 to fiscal year 2004 is due to a change in the restriction on how parity aid may be used. In fiscal year 2003, parity aid was considered restricted; however, beginning in fiscal year 2004 it was considered unrestricted.

D. - Property Tax Allocation

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

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

Property tax allocation revenue, based on information provided by the Trumbull County Auditor, is anticipated to increase \$36,000 from fiscal year 2005 due to an increase in assessed values.

E. - All Other Revenues

All other revenues include tuition, interest on investments, rentals, miscellaneous receipts, sale of assets and the refund of prior year expenditures.

The School District receives tuition for students who are developmentally handicapped or who have learning disabilities as well as from open enrollment. Tuition is forecasted to decrease due to fewer students attending the School District.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to a pro-rated share of interest earnings with the balance recorded to the general fund.

The School District has received rental income of \$4,000 from Head Start for fiscal year 2006. The School District does not anticipate receiving any more rental income from the Head Start Program for fiscal year 2006.

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

Presented below is a comparison of all other revenue for fiscal years 2003, 2004, 2005 and the forecast period.

| Revenue Sources | Actual Fiscal Year 2003 | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Forecast Fiscal Year 2006 | Variance Increase (Decrease) |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Tuition | \$20,000 | \$210,000 | \$164,000 | \$154,000 | (\$10,000) |
| Interest on Investments | 5,000 | 4,000 | 11,000 | 19,000 | 8,000 |
| Rentals | 6,000 | 6,000 | 0 | 4,000 | 4,000 |
| Miscellaneous | 10,000 | 25,000 | 21,000 | 23,000 | 2,000 |
| Sale of Assets | 1,000 | 1,000 | 0 | 1,000 | 1,000 |
| Refund of Prior Year Expenditures | 41,000 | 31,000 | 32,000 | 40,000 | 8,000 |
| Totals | \$83,000 | \$277,000 | \$228,000 | \$241,000 | \$13,000 |

F. - Other Financing Sources

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

Proceeds of notes represents receipts from the issuance of tax anticipation notes for short-term cash flow borrowing. The School District is not forecasting the issuance of any tax anticipation notes during fiscal year 2006.

Operating transfers in for prior years represent transfers from the workers' compensation agency fund and the athletic special revenue fund. Throughout the fiscal year, the School District charges a workers' compensation premium to all funds that pay salaries. Those premiums are placed in an agency fund until the bill comes due. At the time the bill comes due, the monies are transferred to the general fund for payment. The School District will not be placing any monies in the workers' compensation fund for fiscal year 2006 due to a change in its procedure.

The School District received \$16,000 for the return of an advance and is not expecting any more advances in or transfers in for fiscal year 2006.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

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

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covered the period July 1, 2001 to June 30, 2004, and allowed for a four percent increase in the base salary as well as step increases from 2.6 to 6 percent depending on years of experience in each year of the contract. The contract for classified staff covers the same period and also allows for a four percent increase in each year of the contract. Both the certified and classified employees extended their contracts until June 30, 2005 with no increase in the base salary.

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Administrative salaries were negotiated to increase during fiscal year 2005, but the administrators agreed to forego the increase. In February 2005, the School District again extended both the certified and classified employee contracts, with no increase in base salary but including step increases from 2.6 to 6 percent, to cover the period from July 1, 2005 through June 30, 2006.

The decrease in salaries is due to 8 certified employees leaving the School District. The departure of these employees is partially offset by the step increases.

The School District offers severance pay upon retirement to its certified and classified employees who depart with at least five years of service with the School District. Payments for certified and classified employees are twenty-five percent of their unused sick leave up to a maximum of 45 days and 15 percent of the remaining unused accumulated sick days in excess of 180 days, paid at their daily rate. Employees who retire in their first year of eligibility receive one-third of their unused sick leave up to a maximum of 80 days, or one-fourth of their final salary and one-half of their severance pay up to a maximum of 40 days, whichever is greater. Severance costs are anticipated to decrease due to the retirement of one staff member during the forecast period compared with the retirement of two staff members during fiscal year 2005.

Presented below is a comparison of salaries and wages for fiscal years 2003, 2004, 2005 and the forecast period.

| | Actual Fiscal Year 2003 | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Forecast Fiscal Year 2006 | Variance Increase (Decrease) |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Certified Salaries | \$2,555,000 | \$2,615,000 | \$2,339,000 | \$2,261,000 | (\$78,000) |
| Classified Salaries | 598,000 | 609,000 | 448,000 | 444,000 | (4,000) |
| Substitute Salaries | 102,000 | 117,000 | 84,000 | 56,000 | (28,000) |
| Supplemental Contracts | 107,000 | 105,000 | 29,000 | 21,000 | (8,000) |
| Severance Pay | 58,000 | 45,000 | 21,000 | 16,000 | (5,000) |
| Other Salaries and Wages | 12,000 | 12,000 | 5,000 | 5,000 | 0 |
| Totals | <u>\$3,432,000</u> | <u>\$3,503,000</u> | <u>\$2,926,000</u> | <u>\$2,803,000</u> | <u>(\$123,000)</u> |

B. – Employees’ Retirement/Insurance Benefits

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

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

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Health care costs are based on rates issued by the Trumbull County Health insurance consortium, a public entity risk sharing pool. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, dental care and vision. Health care rates are fixed on a calendar year basis. In fiscal year 2006, health care rates remained the same as those in fiscal year 2005. The School District was given two premium holidays. The School District therefore did not have to make premium payments during the months of July 2005 and January 2006. Due to the premium holidays and the reduction of 8 certified employees, health care costs are anticipated to decrease in fiscal year 2006.

Life insurance premiums are based on the coverage amount, the anticipated number of employees participating in the program and the monthly premiums. Since the number of employees has decreased, life insurance costs are also anticipated to decrease.

Unemployment is anticipated to decrease due to the fact the School District has one employee remaining on unemployment during the forecast period compared to three employees on unemployment in fiscal year 2005. The tuition reimbursement is showing an increase because the contract calls for a maximum of \$10,000 to be paid out in any one fiscal year and if that amount is unspent, any unspent amount is carried forward to the next fiscal year. The School District has not reached the \$10,000 limit in any of the prior three fiscal years, and because of this, it forecasts spending the entire amount during fiscal year 2006 due to more employees taking additional classes.

In prior years, the opt out pay represented payments to employees electing not to take health insurance. Once the School District converted to State Software, this payment is reflected in salaries.

Presented below is a comparison of employees' retirement and insurance for the past three fiscal years and the forecast period:

| | Actual Fiscal Year 2003 | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Forecast Fiscal Year 2006 | Variance Increase (Decrease) |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Employer's Retirement | \$541,000 | \$537,000 | \$485,000 | \$395,000 | (\$90,000) |
| Health Care/Life Insurance | 842,000 | 946,000 | 768,000 | 658,000 | (110,000) |
| Workers' Compensation | 41,000 | 41,000 | 7,000 | 6,000 | (1,000) |
| Medicare | 28,000 | 31,000 | 27,000 | 25,000 | (2,000) |
| Unemployment | 1,000 | 1,000 | 27,000 | 9,000 | (18,000) |
| Tuition Reimbursement | 7,000 | 2,000 | 0 | 10,000 | 10,000 |
| Administration Dues | 1,000 | 0 | 0 | 0 | 0 |
| Opt Out Pay | 12,000 | 24,000 | 2,000 | 0 | (2,000) |
| Totals | <u>\$1,473,000</u> | <u>\$1,582,000</u> | <u>\$1,316,000</u> | <u>\$1,103,000</u> | <u>(\$213,000)</u> |

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C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

| | Actual Fiscal Year 2003 | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Forecast Fiscal Year 2006 | Variance Increase (Decrease) |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Professional and Technical Services | \$28,000 | \$32,000 | \$26,000 | \$25,000 | (\$1,000) |
| Property Services | 95,000 | 123,000 | 103,000 | 112,000 | 9,000 |
| Travel and Meeting Expenses | 7,000 | 4,000 | 8,000 | 9,000 | 1,000 |
| Communication Costs | 16,000 | 19,000 | 14,000 | 13,000 | (1,000) |
| Utility Services | 191,000 | 226,000 | 169,000 | 177,000 | 8,000 |
| Tuition Payments | 315,000 | 643,000 | 790,000 | 998,000 | 208,000 |
| Pupil Transportation | 2,000 | 1,000 | 5,000 | 3,000 | (2,000) |
| Totals | \$654,000 | \$1,048,000 | \$1,115,000 | \$1,337,000 | \$222,000 |

Tuition is expected to increase due to an increase in excess costs charged by the County Educational Service Center and a higher tuition amount being estimated by the Ohio Department of Education. In fiscal year 2004, additional information became available from the Ohio Department of Education that enabled the School District to record open enrollment revenues and expenditures separately rather than at the net amount received or paid.

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

| | Actual Fiscal Year 2003 | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Forecast Fiscal Year 2006 | Variance Increase (Decrease) |
|---|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| General Supplies, Library Books and Periodicals | \$46,000 | \$23,000 | \$15,000 | \$20,000 | \$5,000 |
| Operations, Maintenance and Repair | 35,000 | 49,000 | 48,000 | 60,000 | 12,000 |
| Textbooks | 63,000 | 3,000 | 0 | 0 | 0 |
| Totals | \$144,000 | \$75,000 | \$63,000 | \$80,000 | \$17,000 |

The School District anticipates increases in supplies and materials and diesel fuel for the buses.

E. - Capital Outlay

The acquisition and construction of property, plant and equipment acquired or used for instructional and support services are recorded as capital outlay expenditures. Capital outlay expenditures are for the purchase of new and used computer equipment for the Head Start program. Fiscal years 2003 and 2004 capital outlay expenditures included the purchase of computer equipment and a bus. The School District has a permanent improvement fund that generates approximately \$105,000, annually. The School District uses this fund to make all major capital expenditures.

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F. – Debt Service

The outstanding balances and principal to be retired for general fund supported debt consists of the following:

| <u>Type</u> | <u>Maturity Date</u> | <u>Balance at 6/30/2005</u> | <u>Fiscal Year 2006 Principal Payment</u> |
|--------------------------|----------------------|---------------------------------|---|
| Solvency Assistance Loan | June 30, 2006 | \$393,000 | \$393,000 |
| Solvency Assistance Loan | June 30, 2007 | 345,000 | 172,000 |
| Asbestos Loan | May 1, 2013 | 83,000 | 11,000 |
| Total | | <u>\$821,000</u> | <u>\$576,000</u> |

During fiscal years 2004 and 2005, the School District received Solvency Assistance Fund Advances from the State. The solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advances are repaid over two years from State foundation revenues.

During fiscal year 1994, the School District obtained an asbestos loan for the purpose of removing asbestos from school buildings throughout the School District. This loan is being repaid with property taxes over an eighteen year period.

G. - Other Objects

Other object expenditures consist of dues and fees and insurance. Other object expenditures are forecasted in the amount of \$105,000. The \$6,000 increase from fiscal year 2005 is due an anticipated increase in dues and fees.

H. - Operating Transfers and Advances Out

No advances out or transfers out are anticipated during fiscal year 2006. The School District does not foresee other funds needing cash advances to cover negative cash balances during fiscal year 2006.

Note 8 - Encumbrances

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

In prior years there has been little or no encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2005. The School District is making a conscious effort to make sure it has no encumbrances outstanding at the end of fiscal year 2006 by cutting off all purchase authorizations and paying all bills by fiscal year end.

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Note 9 - Reservations of Fund Balance

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

Beginning in fiscal year 2006, HB 66 allows school districts in fiscal emergency to set aside less than the annual required set aside amount or set aside nothing in textbooks and instruction materials and the capital acquisition and improvements set asides. The Board of Education, by resolution, has chosen to set aside no current year revenue in the textbooks and instruction materials and the capital and maintenance set asides for the current year.

A. - Textbooks and Instructional Materials Set-Aside

The School District had a carryover balance of \$210,000 from fiscal year 2005. The School District anticipates \$45,000 in qualifying expenditures during the current fiscal year leaving a reserve balance of \$165,000.

B. – Capital and Maintenance Set-Aside

The School District had no carryover balance at the end of fiscal year 2005 and does not anticipate a reserve for the capital and maintenance set aside for fiscal year 2006.

C. – Bus Purchases

At June 30, 2005, the School District had \$35,000 in unspent bus monies. The School District received \$9,000 in a bus purchase allowance during fiscal year 2006. The School District does not anticipate purchasing a new public school bus during the current fiscal year. Therefore, a reserve amount of \$44,000 is forecasted for bus purchases.

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

At June 30, 2005, the School District had no unspent DPIA monies. The School District anticipates receiving \$10,000 in restricted Poverty Based Assistance monies, the DPIA replacement program, during fiscal year 2006 and having \$10,000 in Poverty Based Assistance expenditures during the current fiscal year. Therefore, no reserve for Poverty Based Assistance is forecasted.

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Note 10 - Levies

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

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

Note 11 - Pending Litigation

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

Note 12 – Financial Planning and Supervision Commission

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

The financial recovery plan was adopted on December 18, 2003 and under State law is to be updated annually. The recovery plan includes the reduction of 4 staff members and reduced hours for two administrative staff positions from the general fund and one cafeteria worker for fiscal year 2004 and the reduction of 14 staff positions from the general fund, 2.5 staff positions from the food service fund and .5 positions from federal grant funds for fiscal year 2005. The Commission issued revised plans on May 18, 2004 and March 15, 2005. The revised plans include the reduction of 3 staff members for fiscal year

Bristol Local School District
Trumbull County
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For the Fiscal Year Ending June 30, 2006

2005 and 7 staff members from the general fund and 2 staff positions from federal grant funds for fiscal year 2006. The Board and the Commission have not yet taken any action to revise the recovery plan for fiscal year 2007 and beyond.

Note 13 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. The financial plan for the fiscal years 2006 through 2010 was filed on November 11, 2005. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The financial plan assumes the continued operation of the School District with an increase in property taxes from the collection of a new emergency levy starting in fiscal year 2006. There are no other significant increases in revenues. The financial plan also assumes annual step increases, but no base salary increases, no additional staff reductions, and an increase in gasoline and energy costs for the fiscal years 2007 through 2010. The operating balance increases from \$140,000 for fiscal year 2007 to \$234,000 for fiscal year 2010. The recovery plan, dated March 15, 2005, does not address periods beyond fiscal year 2006. If the School District granted a 1 percent increase in the base salaries each fiscal year beginning in fiscal year 2007, the operating balance would decrease by \$31,000 for fiscal year 2007 and by \$126,000 for fiscal year 2010.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for information purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.

Bristol Local School District
Trumbull County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2006

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BRISTOL LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 3, 2006**