



**Auditor of State
Betty Montgomery**

**Barnesville Exempted Village School District
Belmont County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2005**

Local Government Services Division

Barnesville Exempted Village School District
Belmont County

Table of Contents

Title	Page
Table of Contents	1
Certification.....	2
Accountant’s Report.....	3
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2002, 2003 and 2004 Actual; Fiscal Year Ending June 30, 2005 Forecasted.....	4
Summary of Significant Forecast Assumptions and Accounting Policies	5



**Auditor of State
Betty Montgomery**

Financial Planning and Supervision Commission
Ohio Department of Education
615 West Superior, Room 545
Cleveland, Ohio 44113-1801

and

Board of Education
Barnesville Exempted Village School District
210 West Church Street
Barnesville, Ohio 43713

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the General Fund of the Barnesville Exempted Village School District, Belmont County, Ohio. This 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 balance of \$632,000 for the fiscal year ending June 30, 2005.

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 2006 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

BETTY MONTGOMERY
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

April 7, 2005



Auditor of State Betty Montgomery

Board of Education
Barnesville Exempted Village School District
210 West Church Street
Barnesville, Ohio 43713

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 Barnesville Exempted Village School District for the fiscal year ending June 30, 2005. The Barnesville Exempted Village 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 forecasted statement referred to above is presented in conformity with the 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 its date.

We have compiled the historical financial statements of the Barnesville Exempted Village School District for the fiscal years ended June 30, 2002, June 30, 2003, and June 30, 2004, 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 the accompanying financial statements 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

March 18, 2005

Barnesville Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balance
For The Fiscal Years Ended June 30, 2002, 2003 and 2004 Actual;
Fiscal Year Ending June 30, 2005 Forecasted
General Fund

	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Forecasted
Revenues				
General Property Tax (Real Estate)	\$1,704,000	\$1,727,000	\$1,768,000	\$1,761,000
Tangible Personal Property Tax	236,000	260,000	229,000	205,000
Unrestricted Grants-in-Aid	5,620,000	5,308,000	5,599,000	5,495,000
Restricted Grants-in-Aid	475,000	744,000	391,000	402,000
Property Tax Allocation	238,000	278,000	249,000	252,000
All Other Revenues	120,000	121,000	346,000	460,000
Total Revenues	8,393,000	8,438,000	8,582,000	8,575,000
Other Financing Sources				
Solvency Assistance Advance	0	0	1,551,000	0
Proceeds from Sale of Notes	0	0	400,000	0
Advances In	75,000	236,000	138,000	149,000
All Other Financing Sources	46,000	54,000	91,000	18,000
Total Other Financing Sources	121,000	290,000	2,180,000	167,000
Total Revenues and Other Financing Sources	8,514,000	8,728,000	10,762,000	8,742,000
Expenditures				
Personal Services	5,409,000	5,780,000	5,583,000	4,380,000
Employees' Retirement/Insurance Benefits	1,966,000	2,349,000	2,707,000	2,126,000
Purchased Services	493,000	656,000	783,000	792,000
Supplies and Materials	307,000	401,000	235,000	225,000
Capital Outlay	242,000	439,000	5,000	8,000
Debt Service:				
Principal - Tax Anticipation Note	0	0	400,000	0
Principal - Solvency Assistance Advances	0	0	0	776,000
Interest and Fiscal Charges	0	0	4,000	0
Other Objects	142,000	137,000	140,000	121,000
Total Expenditures	8,559,000	9,762,000	9,857,000	8,428,000
Other Financing Uses				
Operating Transfers Out	234,000	183,000	491,000	0
Advances Out	231,000	142,000	149,000	45,000
All Other Financing Uses	1,000	0	0	0
Total Other Financing Uses	466,000	325,000	640,000	45,000
Total Expenditures and Other Financing Uses	9,025,000	10,087,000	10,497,000	8,473,000
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(511,000)	(1,359,000)	265,000	269,000
Cash Balance July 1	2,120,000	1,609,000	250,000	515,000
Cash Balance June 30	1,609,000	250,000	515,000	784,000
Less Encumbrances and Reserves:				
Encumbrances at June 30	306,000	204,000	139,000	120,000
Reservations of Fund Balance				
Bus Purchase	0	0	16,000	32,000
Total Encumbrances and Reservations of Fund Balance	306,000	204,000	155,000	152,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	\$1,303,000	\$46,000	\$360,000	\$632,000

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

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Note 1 - The School District

The Barnesville Exempted Village School District (School District) serves an area of approximately 126 square miles. It is located in Belmont County, and includes all of the Village of Barnesville, Warren Township, Somerset Township, and Kirkwood Township, along with portions of Wayne Township, Flushing Township, and Goshen Township. 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 4 instructional/support facilities staffed by 86 certificated employees and 45 non-certified employees to provide services to approximately 1,230 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Barnesville Exempted Village 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 March 18, 2005, 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. For presentation in the forecast, the disadvantaged pupil impact aid (DPIA) fund is included with 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 of accounting (non-GAAP) 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.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

B. Fund Accounting

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

Governmental Funds

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

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

Debt Service Funds - 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).

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 funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. 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 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 level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Budget – Belmont County has waived the requirement to file a formal tax budget. The County Budget Commission requires tax levy fund information and summary data for all other funds to be submitted to the County Auditor as Secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

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

Appropriations – The appropriation resolution sets the limit for expenditures from each fund. A temporary appropriation resolution may be passed on or about July 1 of each year. The temporary appropriation resolution 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 Barnesville Exempted Village 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 consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. General property tax revenue includes real estate taxes, manufactured home and public utility property taxes. Tangible personal property tax is applied to property used in business (except for public utilities). Property taxes are collected for and distributed to the School District by the Belmont County Auditor. The School District may request advances from the Belmont 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.

State law allows for certain reductions in the form of rollbacks and homestead exemption 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.”

Barnesville Exempted Village School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2005

The forecast excludes the receipt of any advances against fiscal year 2006 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating balance may be increased to the extent advances are received prior to June 30, 2005 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 2005.

The property tax revenues for the general fund are generated from several levies. The type of levy, year of approval, 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 (Unvoted)	n/a	n/a	\$3.90
Continuing Operating	1976	n/a	21.05
Continuing Operating	1981	n/a	6.50
Continuing Operating	1991	n/a	9.00
Total Tax Rate			<u>\$40.45</u>

The School District has other levies that total \$3.75 per \$1,000 of assessed value; \$3.25 is used for the payment of bonds issued for the construction of school facilities, and \$.50 is used for the upkeep of a school facilities project. The School Districts total rate is \$44.20 per \$1,000 of assessed value.

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 property taxes as in the year in which the levy was approved. Increases to voted levy revenues are restricted to assessments for new construction. 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 prohibits reduction factors that reduce the effective rates on real estate below \$20.00 mills. The effective residential and agricultural rate is \$20.00 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$24.35 per \$1,000 of assessed valuation for 2005.

General Property Tax (Real Estate) - Belmont County completed a sexennial revaluation during calendar year 2003. Based on information from the County Auditor, general property taxes are anticipated to decrease \$7,000 from the previous fiscal year. The decrease is due to the School District receiving both the fiscal year 2003 and fiscal year 2004 Egypt Valley wildlife reserve special real estate tax settlement in fiscal year 2004.

Tangible Personal Property Tax - As with general property taxes, tangible personal property tax revenues for fiscal year 2005 are based upon information provided by the Belmont County Auditor. Based upon these estimates, the School District anticipates a decrease of \$24,000 from the previous fiscal year due to a decrease in the assessed value of taxable personal property.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the revenue lost as a result of the exemption. Beginning with tax year 2004, the State will phase out the reimbursement by 10 percent each year. The reimbursement is included in the tangible personal property tax revenues.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

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, are provided to address certain policy issues or correct flaws in formula aid and are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of average daily membership (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 per pupil foundation level for fiscal year 2002 was set by the legislature at \$4,490 and \$4,949 for 2003. In 2003, State law set the base cost per pupil for fiscal year 2004 at \$5,058 and \$5,169 for fiscal year 2005.

The anticipated state foundation revenue for fiscal year 2005 is based on current estimates provided by the Ohio Department of Education. The most recent estimate reported on the February 2005 SF-3 is \$5,495,000. Unrestricted grants-in-aid revenue is summarized as follows:

	2003	2004	2005
Formula Aid	\$4,261,000	\$4,057,000	\$3,813,000
Reappraisal Guarantee	0	0	183,000
Categorical Funding	764,000	430,000	427,000
Equity Aid	134,000	88,000	32,000
Transportation	0	380,000	356,000
Excess Cost	62,000	81,000	104,000
Parity Aid	0	475,000	584,000
Open Enrollment Received	305,000	0	0
Open Enrollment Payments	(111,000)	0	0
Foundation Adjustments	(130,000)	62,000	(37,000)
Utility Deregulation	23,000	26,000	33,000
Totals	<u>\$5,308,000</u>	<u>\$5,599,000</u>	<u>\$5,495,000</u>

Formula aid decreased due to a 63 pupil decrease in ADM and an increase in the recognized valuation. These amounts were offset by an increase in the per pupil amount.

The reappraisal guarantee safeguards the School District from decreases in total State aid due to an increase in local valuations that result from a reappraisal or update of property values. This is a one year guarantee.

Equity aid, which goes to the 117 poorest school districts in the State, is being phased out. The allocation has gone from 75 percent of the total equity aid amount in fiscal year 2003 to 50 percent in fiscal year 2004 to 25 percent in fiscal year 2005.

Parity aid was classified as restricted revenue in fiscal year 2003. Beginning in fiscal year 2004, parity aid was no longer restricted. Parity aid continues its phase in with the percentage of the calculated amount going from 40 percent in fiscal year 2003, 58 percent in 2004 to 76 percent in fiscal year 2005.

Barnesville Exempted Village School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2005

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

C. Restricted Grants-in-Aid

The anticipated revenue for restricted grants-in-aid for fiscal year 2005 is based on estimates obtained from the Ohio Department of Education. Restricted grants-in-aid for fiscal year 2005 is anticipated to increase \$11,000. This increase is due to a \$3,000 increase in Career Tech funding, a \$2,000 increase in the bus purchase allowance, and a \$6,000 increase in DPIA.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Property tax allocation revenue, based on information provided by the Belmont County Auditor, is anticipated to increase by \$3,000 for fiscal year 2005.

E. - All Other Revenues

Presented below is a comparison of all other revenues for fiscal years 2003 and 2004 and the forecast period:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecasted Fiscal Year 2005	Variance Increase/ (Decrease)
Interest	\$34,000	\$9,000	\$11,000	\$2,000
Rentals	\$5,000	\$4,000	\$4,000	\$0
Tuition	2,000	1,000	2,000	1,000
Open Enrollment	0	319,000	370,000	51,000
Miscellaneous	80,000	13,000	73,000	60,000
Totals	\$121,000	\$346,000	\$460,000	\$114,000

Effective January 1, 2004, the School District switched its health insurance coverage from a self-funded plan to a health maintenance organization. The final stop loss reimbursements in the amount of \$60,000 were received as miscellaneous revenue.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

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 receive an allocation of interest earnings with the greatest allocation being recorded in the general fund.

F. – Solvency Assistance Advances

The School District received a solvency assistance advance in fiscal year 2004 to finance general fund operations. Solvency assistance advances are interest free and are paid back to the Ohio Department of Education over a two year period through deductions from State foundation payments. Future solvency assistance advances are not anticipated.

G. Other Financing Sources

Advances In represents amounts advanced to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The School District anticipates the repayment of \$149,000 from several federal programs in fiscal year 2005.

All Other Financing Sources in the amount of \$18,000 represents refunds of expenditures made in prior fiscal years. During fiscal year 2004, \$91,000 in refunds of prior year expenditures were the result of moving fiscal year 2003 expenditures to the Permanent Improvement Fund that were originally reflected in the General Fund.

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, and board members. In addition to regular salaries, it includes payment for supplemental contracts, overtime, student workers and severance pay. All employees receive their compensation on a bi-weekly basis. Staffing levels are at 131 full-time equivalents and are expected to remain at this level during the forecast period. A comparison of staffing levels at fiscal year end for 2002, 2003 and 2004 to the beginning of the new school year in September 2004 is presented below:

	June 30 2002	June 30 2003	June 30 2004	September 2004
General Fund:				
Certified	101	102	93	74
Classified	49	51	50	37
Total General Fund	<u>150</u>	<u>153</u>	<u>143</u>	<u>111</u>
Other Funds:				
Certified	8	9	8	12
Classified	8	7	9	8
Total Other Funds	<u>16</u>	<u>16</u>	<u>17</u>	<u>20</u>
Totals	<u>166</u>	<u>169</u>	<u>160</u>	<u>131</u>

Certified (teaching) staff salaries are based on a negotiated contract. For certified employees, the current contract covers the period July 1, 2004, to June 30, 2006. The contract contains no base increase; however, staff will continue to receive 1.25 percent step increases. The contract for classified staff covers

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

the period July 1, 2004, to June 30, 2006. The contract contains no provision for base increase; however, staff will continue to receive 1.25 percent step increases. Administrative salaries are set by the Board of Education.

Salaries are forecasted to decrease by \$1,203,000 from fiscal year 2004. This is largely the result of the School District eliminating 32 general fund positions from the end of fiscal year 2004 to the beginning of the school year in September 2004. Since the School District was declared in fiscal emergency on December 18, 2003, a total of 35.5 positions have been eliminated. In addition, substitute costs were abnormally high during fiscal year 2004. For fiscal year 2005, the School District has experienced a decrease in the number of substitutes needed.

B. Employees' Retirement/Insurance Benefits

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

Medicare contributions are 1.45 percent of the payroll costs for contributing staff.

Workers' compensation premiums are calculated by multiplying the School District's premium rate times the salaries paid in the prior calendar year. For fiscal year 2005, the School District anticipates paying \$35,000 in workers' compensation premiums. This amount reflects an increase in the School District's rate, the reduction in salaries and wages because of the reductions of 35.5 full time equivalents offset by an anticipated 20 percent rebate of the premium from Workers' Compensation. In prior years, workers' compensation premium rebates were 75 percent for fiscal year 2002, 50 percent for fiscal year 2003 and 20 percent for fiscal year 2004.

Retirement costs are based on the employers' contribution rate of fourteen percent of gross payroll for STRS and SERS. Payments are withheld semi-monthly from the state foundation settlements based upon an estimate of the salary and wages for the fiscal year. The School District also pays the superintendent's and treasurer's employee contributions. The overestimating of payroll for STRS and SERS withholding purposes in the prior fiscal year coupled with the reduction in force results in an overall forecasted decrease in retirement contributions of \$159,000 from fiscal year 2005.

The School District contracts with the Health Plan of the Upper Ohio Valley, a Health Maintenance Organization (HMO) for employee health care and dental coverage. Insurance costs for the School District decreased \$310,000 from fiscal year 2004 for a variety of reasons. Effective January 1, 2004, the School District switched its insurance coverage from the self-funded plan to the Health Plan, resulting in savings for the School District. In addition, the reduction in staff contributed significantly to the decrease in health care costs.

The School District offers a severance payment to retiring employees of one fourth of their accumulated sick days paid at their current daily rate of pay up to a maximum payment of 68.75 days. In addition, the School District offers a \$15,000 incentive to certified employees who retire upon attaining 30 years of service. The retirement incentive is reduced to \$10,000 for employees retiring with 31 years of service and \$5,000 with 32 years of service. No incentive is paid for employees retiring with 33 or more years of service. The School District anticipates the retirement of three employees who will receive severance payments. Two will receive the retirement incentive. The retirement of the three employees results in anticipated severance and incentive payments in the amount of \$64,000 for the forecast period.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$792,000 are comprised of the following:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase/ (Decrease)
Professional and Technical Services	\$150,000	\$91,000	\$110,000	\$19,000
Property Services	140,000	108,000	113,000	5,000
Travel and Meeting Expenses	28,000	10,000	7,000	(3,000)
Communication Costs	45,000	28,000	31,000	3,000
Utility Services	244,000	267,000	272,000	5,000
Trade Services	1,000	0	0	0
Open Enrollment	0	106,000	125,000	19,000
Tuition Payments	0	130,000	101,000	(29,000)
Pupil Transportation	17,000	1,000	2,000	1,000
Other Purchased Services	31,000	42,000	31,000	(11,000)
Totals	\$656,000	\$783,000	\$792,000	\$9,000

Professional and technical services are anticipated to increase due to the General Fund covering the costs of a speech therapist that is typically paid from another fund. Utility costs are anticipated to increase due to inflation. Open enrollment and tuition costs are based upon amounts expected to be deducted from the School District's State foundation payments. Other purchased services include amounts due to the Belmont County Educational Service Center and payments to the Virtual Learning Academy for supplemental educational services to students with special needs.

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance (Decrease)
General Supplies, Library Books and Periodicals	\$182,000	\$131,000	\$126,000	(\$5,000)
Supplies and Materials for Operation and Maintenance	109,000	90,000	86,000	(4,000)
Textbooks	108,000	12,000	11,000	(1,000)
Other Supplies and Materials	2,000	2,000	2,000	0
Totals	\$401,000	\$235,000	\$225,000	(\$10,000)

The decrease in materials and supplies is due mainly to an effort by the School District to cut back spending.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

E. - Capital Outlay

The acquisition or construction of property, plant and equipment for general governmental services is recorded as a capital outlay expenditure. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$8,000 for the purchase of photo and welding equipment for the classroom. In addition, amounts that are remaining in the school facilities capital projects fund are anticipated to be expended for equipment pending approval by the school facilities commission.

F. - Other Objects

Other object expenditures consist of dues and fees and property, fleet and liability insurance. Other object expenditures are forecasted in the amount of \$121,000, a \$19,000 decrease from fiscal year 2004. The decrease is due to the School District contracting with the Auditor of State's Office for examination of the School District's financial forecast for fiscal year 2004 and slight decreases in property, fleet and liability insurance. The cost of the 2004 forecast examination was paid by the School District, and subsequent forecast examination costs are picked up by the State as long as the School District is in fiscal emergency.

G. - Operating Transfers and Advances Out

The School District is forecasting advances out in fiscal year 2005 in the amount of \$45,000 to its federal grant funds. The decrease in forecasted advances is the result of the School District discontinuing its self-insurance program and electing to obtain insurance from a health maintenance organization. The decrease in operating transfers out is also due to the School District discontinuing its self-insurance program.

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 and 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.

Encumbrances for purchased services and supplies and materials as of June 30, 2004 were \$139,000 and are forecasted at \$120,000 as of June 30, 2005.

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.

Barnesville Exempted Village School District
 Belmont County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2005

At year end, any balances for disadvantaged pupil impact aid and bus purchases from the previous year plus any receipts from the current year that have not been spent must be carried forward to be used for appropriate purposes in future years

A. - Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2005 is \$188,000. There was a carryover balance of \$117,000 in excess qualifying expenditures from fiscal year 2004. The School District is expecting to have \$75,000 in instructional supplies, textbooks, and other qualifying expenditures during the current fiscal year. Therefore, no reserve is required.

B. - Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2005 is \$188,000. There was a carryover balance of \$3,166,000 in qualifying expenditures and offsets from fiscal year 2004. The School District anticipates \$52,000 in qualifying expenditures and \$34,000 in offsets in fiscal year 2005. Therefore, no reserve is required.

C. – Bus Purchases

At June 30, 2004, the School District had \$16,000 in unspent bus monies. The School District estimates receiving \$16,000 in a bus purchase allowance during fiscal year 2005 and a reserve in the amount of \$32,000 for fiscal year 2005.

D. – Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2004, the School District had no unspent DPIA monies. The School District anticipates receiving and spending \$320,000 in restricted DPIA monies during fiscal year 2005. Therefore, no reserve is included for DPIA.

Note 10 - Levies

The School District has placing a 5 year, 0.5% permanent improvement income tax levy on the May 2, 2005 ballot. The levy, if passed, will generate \$24,000 in fiscal year 2006, \$304,000 in fiscal year 2007, and \$400,000 in fiscal years 2008 through 2010. However, the forecast does not include revenue from this levy due to the inability to determine as of the date of this forecast if this levy will be passed and the impact, if any, on the General Fund. In the past ten years, the School District has placed five levies on the ballot. The type of levy, millage amount or income tax percentage rate, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 1995	Permanent	.5% income tax	5 Years	Passed
February 1999	Bond Issue	3.7 mills	20 Years	Passed
November 2003	Operating	1.5% income tax	Continuing	Failed
March 2004	Operating	1.5% income tax	5 Years	Failed
November 2004	Operating	0.75% income tax	5 Years	Failed

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

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 - 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 decision 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 13 - Financial Planning and Supervision Commission

On December 18, 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 and the State Director of the Office of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Belmont County Auditor.

A financial recovery plan was adopted by the Commission on April 7, 2004. The key provisions of the recovery plan include the reduction of 35.5 positions and the placement of an income tax levy on the ballot. The Commission is in the process of updating the financial recovery plan as of the date of this forecast.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

BELMONT 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 7, 2005**