



**Auditor of State  
Betty Montgomery**

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

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

**Local Government Services Section**

Barnesville Exempted Village School District  
Belmont County

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**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 Section 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, and issued a report dated March 14, 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 surplus for the fiscal year ending June 30, 2006 of \$897,000.

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 surplus may be increased 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.

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 13, 2006

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## 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, 2006. 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 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 Barnesville Exempted Village 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

March 14, 2006

BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
 BELMONT 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
<b>Revenues</b>				
General Property Tax (Real Estate)	\$1,727,000	\$1,768,000	\$1,793,000	\$1,828,000
Tangible Personal Property Tax	260,000	229,000	156,000	200,000
Unrestricted Grants-in-Aid	5,308,000	5,599,000	5,549,000	5,491,000
Restricted Grants-in-Aid	744,000	391,000	403,000	374,000
Property Tax Allocation	278,000	249,000	284,000	272,000
All Other Revenues	121,000	346,000	477,000	430,000
<i>Total Revenues</i>	<u>8,438,000</u>	<u>8,582,000</u>	<u>8,662,000</u>	<u>8,595,000</u>
<b>Other Financing Sources</b>				
Solvency Assistance Advance	0	1,551,000	0	0
Proceeds from Sale of Notes	0	400,000	0	0
Advances In	236,000	138,000	149,000	35,000
All Other Financing Sources	54,000	91,000	20,000	20,000
<i>Total Other Financing Sources</i>	<u>290,000</u>	<u>2,180,000</u>	<u>169,000</u>	<u>55,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>8,728,000</u>	<u>10,762,000</u>	<u>8,831,000</u>	<u>8,650,000</u>
<b>Expenditures</b>				
Personal Services	5,780,000	5,714,000	4,519,000	4,363,000
Employees' Retirement/Insurance Benefits	2,349,000	2,576,000	1,933,000	1,878,000
Purchased Services	656,000	783,000	796,000	952,000
Supplies and Materials	401,000	235,000	209,000	398,000
Capital Outlay	439,000	5,000	7,000	69,000
Debt Service:				
Principal - Solvency Assistance Loan	0	0	776,000	776,000
Principal - Tax Anticipation Note	0	400,000	0	0
Interest	0	4,000	0	0
Other Objects	137,000	140,000	110,000	123,000
<i>Total Expenditures</i>	<u>9,762,000</u>	<u>9,857,000</u>	<u>8,350,000</u>	<u>8,559,000</u>
<b>Other Financing Uses</b>				
Advances Out	142,000	149,000	35,000	35,000
Operating Transfers Out	183,000	491,000	0	0
<i>Total Other Financing Uses</i>	<u>325,000</u>	<u>640,000</u>	<u>35,000</u>	<u>35,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>10,087,000</u>	<u>10,497,000</u>	<u>8,385,000</u>	<u>8,594,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,359,000)	265,000	446,000	56,000
Cash Balance July 1	<u>1,609,000</u>	<u>250,000</u>	<u>515,000</u>	<u>961,000</u>
Cash Balance June 30	<u>250,000</u>	<u>515,000</u>	<u>961,000</u>	<u>1,017,000</u>
<b>Encumbrances and Reserves:</b>				
Actual/Estimated Encumbrances June 30	204,000	139,000	101,000	120,000
Reservation of Fund Balance for				
Bus Purchase	0	16,000	32,000	0
Total Encumbrances and Reserves of Fund Balance	<u>204,000</u>	<u>155,000</u>	<u>133,000</u>	<u>120,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$46,000</u>	<u>\$360,000</u>	<u>\$828,000</u>	<u>\$897,000</u>

See accompanying summary of significant forecast assumptions and accounting policies  
 See accountants report

Barnesville Exempted Village School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2006

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**Note 1 - The School District**

The Barnesville Exempted Village School District (School District) serves an area of approximately 136 square miles. It is located in Belmont County, and includes all of the Village of Barnesville, Warren Township, Somerset Township, 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 four instructional/support buildings staffed by 40 non-certified employees, 80 certificated full time teaching personnel and 8 administrative employees to provide services to approximately 1,220 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 14, 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 poverty based assistance fund and the disadvantaged pupil impact aid (DPIA) fund 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 (non-GAAP) basis 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.

Barnesville Exempted Village School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2006

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**B. Fund Accounting**

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

**Governmental Funds**

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

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

Debt Service Funds - Debt service funds 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 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 account for any activity for which a fee is charged to external users for goods or 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 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 - A budget of estimated cash receipts and disbursements is submitted to the Belmont County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Barnesville Exempted Village School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2006

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

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

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

**Note 5 - General Operating Assumptions**

The 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 and tangible personal property taxes. Property taxes are collected for, and distributed to, the school districts in the county by the Belmont County Auditor and Treasurer. 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 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 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.

Barnesville Exempted Village School District  
 Belmont County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2006

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 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 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 tax revenues as in the year in which the levy was approved. 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 by emergency levies is not affected by changes in property valuation. The reduction factors are computed annually and calculated 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. The effective residential and agricultural rate is \$23.04 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$22.89 per \$1,000 of assessed valuation for the collection year of 2006.

General Property Tax (Real Estate) – The general property tax revenue account appearing on the Statement includes real estate taxes, public utility property taxes and manufactured home taxes. The general property tax revenue estimate is based upon actual receipts and information provided by the Belmont County Auditor's office. The School District anticipates an increase of \$35,000 from the prior fiscal year. The increase is due to an increase in assessed valuation due to new construction.

Tangible Personal Property Tax – Tangible personal property taxes have had several changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. 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.

Barnesville Exempted Village School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2006

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Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is 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 businesses 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. 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 \$179,000 when the tangible personal property tax is completely phased out in 2009. 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 Intergovernmental Revenue below).

The State exempted the first \$10,000 in personal 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 of this reimbursement has been accelerated so that the final reimbursement will take place in fiscal year 2009. The reimbursement is included in the property tax allocation account.

Tangible personal property tax is applied to property used in business (except for public utilities). Tangible personal property tax revenues are based upon information provided by the Belmont County Auditor. Based upon these estimates, the School District anticipates an increase of \$44,000 from the previous fiscal year. Tangible personal property tax revenues include the actual settlement for October 2005 and an estimate of 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. The increase in revenue for the forecast period compared to the prior fiscal year is due to an increase in tangible personal property partially offset by reductions in the percentages used to calculate the assessed valuation. In addition, the School District received the June 2005 personal property tax settlement in the amount of \$19,000 in fiscal year 2006.

**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.

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:

Barnesville Exempted Village School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2006

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 February School Finance Report Number 2 (SF-3) for fiscal year 2006 and the amounts for the last three fiscal years are as follows:

	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Forecasted Fiscal Year 2006	Variance Increase (Decrease)
Formula Aid	\$4,261,000	\$4,057,000	\$3,818,000	\$3,818,000	\$0
Categorical Funding	425,000	430,000	431,000	482,000	51,000
Equity Aid	134,000	88,000	32,000	0	(32,000)
Transportation	339,000	380,000	381,000	389,000	8,000
Excess Costs	62,000	81,000	119,000	109,000	(10,000)
Parity Aid	0	475,000	578,000	569,000	(9,000)
Open Enrollment Received	305,000	0	0	0	0
Open Enrollment Payments	(111,000)	0	0	0	0
Transitional Aid Guarantee	0	0	0	148,000	148,000
Reappraisal Guarantee	0	0	145,000	0	(145,000)
Foundation Adjustments	(130,000)	62,000	13,000	(56,000)	(69,000)
Total Foundation	5,285,000	5,573,000	5,517,000	5,459,000	(58,000)
Utility Deregulation	23,000	26,000	32,000	32,000	0
Total Unrestricted Grants-in-Aid	\$5,308,000	\$5,599,000	\$5,549,000	\$5,491,000	(\$58,000)

Formula Aid is anticipated to remain the same as the prior fiscal year because of the inclusion of \$170,000 in formula aid guarantee. The formula aid guarantee and the increase in per pupil funding is offset by a loss of revenue due to a decline in ADM of 33 and an increase in the 23 mill chargeoff. The School District will also receive \$148,000 transitional aid guarantee payments. The transitional aid guarantee insures that the School District will receive the same SF-3 funding that was received in the prior fiscal year. Categorical funding increased due to an increase in per pupil funding for special education and teacher education experience amounts.. Equity aid was phased out each year through fiscal year 2005. Parity aid continues its phase in with the percentage of the calculated amount going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006.

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

Barnesville Exempted Village School District  
Belmont County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2006

**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 \$16,000 in bus purchase allowance, \$42,000 in career tech monies and \$316,000 in Poverty Based Assistance monies which replaced the DPIA program. A \$29,000 decrease is anticipated from the prior year due primarily to the School District receiving less career tech monies.

**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 only. 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 decrease \$12,000 from fiscal year 2005. The decrease is due to the elimination of the 10 percent rollback on commercial and industrial property offset by the inclusion of reimbursements for lost personal property tax revenue.

**E. - All Other Revenues**

Presented below is a comparison of all other revenue for the last three fiscal years 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	\$2,000	\$1,000	\$3,000	\$3,000	\$0
Interest on Investments	34,000	9,000	14,000	27,000	13,000
Rentals	5,000	4,000	4,000	4,000	0
Open Enrollment	0	319,000	364,000	357,000	(7,000)
Other Revenue	80,000	13,000	92,000	39,000	(53,000)
Totals	<u>\$121,000</u>	<u>\$346,000</u>	<u>\$477,000</u>	<u>\$430,000</u>	<u>(\$47,000)</u>

All other revenues are forecasted to decrease \$47,000. The decrease is due in large part to a decrease in other revenues. During fiscal year 2005, the final stop loss reimbursement from the School District's discontinued health self-insurance program in the amount of \$60,000 was received as miscellaneous revenue.

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.

Barnesville Exempted Village School District  
 Belmont County  
 Summary of Significant Assumptions and Accounting Policies  
 For the Fiscal Year Ending June 30, 2006

**F. - Other Financing Sources**

The general fund is forecasting the return of advances made in fiscal year 2005 from various state and federal grant funds in the amount of \$35,000.

All Other Financing Sources in the amount of \$20,000 represents refunds of expenditures made in prior fiscal years and insurance reimbursements that have been received in fiscal year 2006.

**Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

**A. Personal Services**

Personal service 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 payments for supplemental contracts, severance, attendance incentive, student workers, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels are at 128 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 2003, 2004, and 2005 to the current staffing level is presented below:

	<u>June 30</u> <u>2003</u>	<u>June 30</u> <u>2004</u>	<u>June 30</u> <u>2005</u>	<u>March</u> <u>2006</u>
General Fund:				
Certified	102	93	74	71
Classified	51	50	34	34
Total General Fund	<u>153</u>	<u>143</u>	<u>108</u>	<u>105</u>
Other Funds:				
Certified	9	8	13	13
Classified	7	9	10	10
Total Other Funds	<u>16</u>	<u>17</u>	<u>23</u>	<u>23</u>
Totals	<u>169</u>	<u>160</u>	<u>131</u>	<u>128</u>

Certified (teaching) and classified staff salaries are based on negotiated contracts. The current certified contract covers the period July 1, 2004 to June 30, 2007. The current classified contract covers the period July 1, 2004 to June 30, 2006. Both of these contracts contain no base increase; however, staff will continue to receive 1.25 percent step increases. Administrative salaries are set by the Board of Education. Certified salaries are expected to decrease \$241,000 due to the following:

- Two certified positions were absorbed starting in fiscal year 2006.
- A resigning middle school principal being replaced with a principal at a lower salary amount which resulted in a savings to the School District.
- A principal that was being paid by the School District is now contracted through the School District's educational service center to better utilize the services of the educational service center.

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- Five retiring teachers will be replaced with employees at a lower salary.
- Several certified employee positions were eliminated as of the end of fiscal year 2004; however, two months of these salaries were included in fiscal year 2005 actual amounts.

Supplemental costs are forecast to increase by \$29,000 during fiscal year 2006. This increase is due to the 1.25 percent step increase as provided by the negotiated contracts. In addition, the School District decided to finance 14 academic supplemental positions for fiscal year 2006. During fiscal year 2005, the School District did not pay for any academic supplemental positions.

The School District offers a severance payment to retiring employees of one-fourth of their accumulated sick days paid at their current daily rate up to a maximum payment of 68.75 days to both certified and classified employees. 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 to \$5,000 with 32 years of service. No incentive is paid for employees who will receive severance retiring with 33 or more years of service. The retirement incentive for classified employees provides a payment based on 10 percent of the employees annual salary within the first year they are eligible for retirement. This amount is reduced to 2/3 of the incentive during the second year of eligibility and reduced to 1/3 of the incentive during the third year of eligibility. After the third year, the retirement incentive is forfeited.

The School District anticipates the retirement of three certified employees and the payment of severance in fiscal year 2006. Each of these three employees will also receive the retirement incentive of \$15,000. In addition, one classified employee will retire and receive a severance payment during fiscal year 2006. The anticipated increase in severance payments is due to higher sick leave balances and the retirement of one additional person during fiscal year 2006 as compared to fiscal year 2005. Two of the three employees that retired in fiscal year 2005 received the retirement incentive payment.

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	\$4,310,000	\$4,087,000	\$3,251,000	\$3,010,000	(\$241,000)
Classified Salaries	1,138,000	1,094,000	847,000	865,000	18,000
Substitute Salaries	163,000	256,000	223,000	226,000	3,000
Supplemental Contracts	139,000	127,000	65,000	94,000	29,000
Severance Pay	0	131,000	97,000	133,000	36,000
Attendance Incentives	1,000	0	25,000	24,000	(1,000)
Other Salaries and Wages	29,000	19,000	11,000	11,000	0
Totals	<u>\$5,780,000</u>	<u>\$5,714,000</u>	<u>\$4,519,000</u>	<u>\$4,363,000</u>	<u>(\$156,000)</u>

**B. Employees' Retirement/Insurance Benefits**

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

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Retirement costs are based on the employer's contribution rate of fourteen percent of gross payroll 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. The School District pays the employees' retirement contributions for the superintendent and treasurer. The decrease of \$124,000 in retirement costs is due to fiscal year 2005 retirement payments being based upon salary amounts before the 2005 reduction in force.

The School District contracts with the Health Plan of the Upper Ohio Valley, a Health Maintenance Organization (HMO), for employee health care, vision, and prescription insurance. Dental coverage is currently provided by Coresource, Inc. Insurance costs are forecasted to increase from fiscal year 2005 due to the School District paying the June 2005 insurance premiums in July 2005. This results in 13 months of premiums during fiscal year 2006.

Workers' compensation premiums are calculated by multiplying the School District's premium rate times the salaries paid in the prior calendar year. The increase of \$13,000 due to an increase in the School District's rate and no anticipated rebate or reduction in premium given by the Bureau of Workers' Compensation which had occurred in previous years.

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

The School District anticipates paying less in unemployment benefits as compared to fiscal year 2005 due to fewer individuals being eligible for unemployment benefits.

Tuition reimbursements are forecasted to decrease by \$3,000 for fiscal year 2006 due to fewer certified employees seeking reimbursement for this benefit as compared to fiscal year 2005.

Presented below is a comparison of 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)
Employer's Retirement	\$989,000	\$938,000	\$754,000	\$630,000	(\$124,000)
Insurance	1,272,000	1,520,000	1,023,000	1,151,000	128,000
Workers' Compensation	27,000	52,000	35,000	48,000	13,000
Medicare	50,000	53,000	41,000	40,000	(1,000)
Unemployment	0	1,000	69,000	1,000	(68,000)
Tuition Reimbursement	11,000	12,000	11,000	8,000	(3,000)
Totals	<u>\$2,349,000</u>	<u>\$2,576,000</u>	<u>\$1,933,000</u>	<u>\$1,878,000</u>	<u>(\$55,000)</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	\$150,000	\$91,000	\$118,000	\$201,000	\$83,000
Property Services	140,000	108,000	115,000	76,000	(39,000)
Travel and Meeting Expenses	28,000	10,000	8,000	15,000	7,000
Communication Costs	45,000	28,000	25,000	43,000	18,000
Utility Services	244,000	267,000	237,000	221,000	(16,000)
Trade Services	1,000	0	0	0	0
Open Enrollment/Tuition Payments	0	236,000	257,000	322,000	65,000
Pupil Transportation	17,000	1,000	2,000	24,000	22,000
Other Purchased Services	31,000	42,000	34,000	50,000	16,000
Totals	<u>\$656,000</u>	<u>\$783,000</u>	<u>\$796,000</u>	<u>\$952,000</u>	<u>\$156,000</u>

Professional and technical services are anticipated to increase because a resigning principal was replaced by a contract with the School District's educational service center. The decrease in property services is due to lower insurance rates based on the good claims history of the School District. In addition, the School District changed their copier maintenance provider which resulted in a significant savings from fiscal year 2005. Open enrollment and tuition costs are based on amounts expected to be deducted from the School District's State foundation settlements. The increase is based on more students attending school in other districts as compared to fiscal year 2005. Other increases are forecasted in pupil transportation and other purchased services which includes services provided by the Belmont County Education Service Center.

**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	\$184,000	\$133,000	\$100,000	\$117,000	\$17,000
Operations, Maintenance and Repair	109,000	90,000	105,000	105,000	0
Textbooks	108,000	12,000	4,000	176,000	172,000
Totals	<u>\$401,000</u>	<u>\$235,000</u>	<u>\$209,000</u>	<u>\$398,000</u>	<u>\$189,000</u>

Textbooks are forecasted to increase due largely to anticipated purchases of math and science textbooks. Supplies and materials are anticipated to increase because these costs have been cut in previous years due to the financial condition of the School District.

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**E. Capital Outlay**

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services are recorded as capital outlay expenditures. 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 include the purchase of equipment and a new school bus.

**F. Debt Service**

The School District will be making the final principal payment toward the outstanding balance of a fiscal year 2005 State Solvency Assistance loan in the amount of \$776,000.

**G. Other Objects**

Other object expenditures consist of dues and fees, insurance, and other objects. The increase of \$13,000 is due to increased auditor and treasurer fees along with increases in liability insurance and bonds.

**H. Operating Transfers and Advances Out**

The School District does not anticipate any operating transfers-out during fiscal year 2006. Advances out are based on historical trends for the funding of state and federal grants.

**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.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects as of June 30, 2005 were \$101,000. The School District anticipates similar items to be encumbered in the amount of \$120,000 as of June 30, 2006.

**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.

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**A. Textbooks and Instructional Materials and Capital Acquisition and Improvements Set-Asides**

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 the textbook and instruction materials and the capital and maintenance set asides. The Board of Education, by resolution, has chosen to set aside no current year revenue in the textbook and instruction materials and the capital and maintenance set asides for the current fiscal year.

**B. Bus Purchases**

At June 30, 2005, the School District had \$32,000 in unspent bus monies. The School District is expecting to receive \$16,000 in a bus purchase allowance during fiscal year 2006. The School District has spent \$60,000 on the purchase of a new bus during the current fiscal year. Therefore, no reserve for bus purchases is forecasted.

**C. Disadvantaged Pupil Impact Aid (DPIA)**

At June 30, 2005, the School District had no unspent DPIA monies. The School District anticipates receiving and spending \$316,000 in restricted Poverty Based Assistance monies during fiscal year 2006. Therefore, no reserve for is forecasted.

**Note 10 - Levies**

In the past ten years, the School District has placed several 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>
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
May 2005	Permanent Improvement	0.5% income tax	5 Years	Failed

**Note 11 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material currently has no pending litigation.

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**Note 12 - 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. 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.

A financial recovery plan was adopted by the Commission on April 7, 2004. The key provisions of the recover plan include the reduction of 35.5 positions and the placement of an income tax levy on the ballot. The financial recovery plan was updated on July 13, 2005 and addressed the reduction of one additional certified staff member and the addition of one hearing and speech position which would result in \$71,000 in savings to the School District.

**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 October 28, 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 plan assumes the continued operation of the School District with no significant increases in revenues. The plan also assumes annual step increases, but no base salary increases, no additional staff reductions, and an eight percent increase in health care benefits for the fiscal years 2007 through 2010. The operating balance decreases from \$783,000 for fiscal year 2007 to \$49,000 for fiscal year 2010. The recovery plan, dated July 13, 2005, does not address periods beyond fiscal year 2006. A one percent base increase in salaries each fiscal year, beginning with fiscal year 2007, including retirement costs, would decrease the projected fiscal year 2010 balance by \$180,000.

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.



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**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 13, 2006**