



**Auditor of State
Betty Montgomery**

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2004**

Local Government Services Division

Barnesville Exempted Village School District
Belmont County

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**Auditor of State
Betty Montgomery**

State of Ohio
Department of Education
65 South Front Street
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CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, 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 October 30, 2003. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2004, of \$1,551,000.

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 2005 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 deficit may be reduced to the extent tax advances are received prior to June 30, 2004 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 2004.

BETTY MONTGOMERY
Auditor of State

Peter R. Sorem
Chief of Local Government Services

December 18, 2003

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**Auditor of State
Betty Montgomery**

Board of Education
Barnesville Exempted Village School District
210 West Church Street
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Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the general fund of the Barnesville Exempted Village School District for the fiscal year ending June 30, 2004. 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 managements 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 historical financial statements for the fiscal years ended June 30, 2001 through 2003, were compiled by us in accordance with 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 2001 through 2003 financial statements and, accordingly, do not, express an opinion or any other form of assurance on them.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 30, 2003

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Barnesville Exempted Village School District

Forecasted Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Fiscal Year Ending June 30, 2004 with Comparative Historical
Information For The Fiscal Years Ended June 30, 2001, 2002 and 2003

General Fund

	Fiscal Year 2001 <u>Actual</u>	Fiscal Year 2002 <u>Actual</u>	Fiscal Year 2003 <u>Actual</u>	Fiscal Year 2004 <u>Forecasted</u>
Revenues				
General Property Tax (Real Estate)	\$1,695,000	\$1,704,000	\$1,727,000	\$1,778,000
Tangible Personal Property Tax	200,000	236,000	260,000	198,000
Unrestricted Grants-in-Aid	5,658,000	5,620,000	5,308,000	5,582,000
Restricted Grants-in-Aid	200,000	475,000	744,000	383,000
Property Tax Allocation	234,000	238,000	278,000	275,000
All Other Revenues	<u>143,000</u>	<u>120,000</u>	<u>121,000</u>	<u>363,000</u>
Total Revenues	<u>8,130,000</u>	<u>8,393,000</u>	<u>8,438,000</u>	<u>8,579,000</u>
Other Financing Sources				
Advances In	152,000	75,000	322,000	142,000
All Other Financing Sources	<u>42,000</u>	<u>46,000</u>	<u>54,000</u>	<u>47,000</u>
Total Other Financing Sources	<u>194,000</u>	<u>121,000</u>	<u>376,000</u>	<u>189,000</u>
Total Revenues and Other Financing Sources	<u>8,324,000</u>	<u>8,514,000</u>	<u>8,814,000</u>	<u>8,768,000</u>
Expenditures				
Personal Services	5,128,000	5,409,000	5,780,000	5,484,000
Employees' Retirement/Insurance Benefits	1,797,000	1,966,000	2,349,000	3,325,000
Purchased Services	443,000	493,000	656,000	919,000
Supplies and Materials	372,000	307,000	401,000	340,000
Capital Outlay	80,000	242,000	439,000	65,000
Other Objects	<u>128,000</u>	<u>142,000</u>	<u>137,000</u>	<u>151,000</u>
Total Expenditures	<u>7,948,000</u>	<u>8,559,000</u>	<u>9,762,000</u>	<u>10,284,000</u>
Other Financing Uses				
Operating Transfers Out	0	92,000	183,000	40,000
Advances Out	89,000	373,000	228,000	45,000
All Other Financing Uses	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Total Other Financing Uses	<u>89,000</u>	<u>466,000</u>	<u>411,000</u>	<u>85,000</u>
Total Expenditures and Other Financing Uses	<u>8,037,000</u>	<u>9,025,000</u>	<u>10,173,000</u>	<u>10,369,000</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	287,000	(511,000)	(1,359,000)	(1,601,000)
Cash Balance July 1	<u>1,833,000</u>	<u>2,120,000</u>	<u>1,609,000</u>	<u>250,000</u>
Cash Balance June 30	2,120,000	1,609,000	250,000	(1,351,000)
Less Reserves for Encumbrances	<u>(413,000)</u>	<u>(306,000)</u>	<u>(204,000)</u>	<u>(200,000)</u>
Unreserved Fund Balance (Deficit) June 30	<u>\$1,707,000</u>	<u>\$1,303,000</u>	<u>\$46,000</u>	<u>(\$1,551,000)</u>

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

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

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 52 non-certified employees, 110 certificated full time teaching personnel and 5 administrative employees to provide services to approximately 1,345 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 October 30, 2003, 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, 2004

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 expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

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

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

Proprietary Funds

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, and (c) 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. The primary level of budgetary control is at the fund level for all funds. 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, 2004

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. The certificate of estimated resources may be further amended throughout the year if revenues will be greater or less than previous estimates.

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, manufactured home and tangible personal property taxes. Advances may be requested from the Belmont County Auditor as the taxes are collected. When 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 forecast excludes the receipt of any advances against fiscal year 2005 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 deficit may be reduced to the extent advances are received prior to June 30, 2004 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 2004.

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:

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

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 also has levies for bonded debt and school facilities maintenance totaling \$4.20 per \$1,000 of assessed valuation. The School District's total rate is \$44.65 mills.

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. The effective residential and agricultural rate is \$25.02 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$26.88 per \$1,000 of assessed valuation for 2003.

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Belmont County Auditor. The County had a sexennial revaluation during 2003. Based upon this information, the School District anticipates an increase of \$51,000 from the prior fiscal year.

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Belmont County Auditor. Based upon these estimates, the School District anticipates a decrease of \$62,000 from the previous fiscal year. The majority of this decrease is attributable to the June 2002 personal property settlement in the amount of \$51,000 not being receipted until fiscal year 2003.

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 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 per pupil foundation level for fiscal year 2001 was set by the legislature at \$4,294, \$4,490 for 2002 and \$4,949 for 2003. In 2003, the per pupil foundation level was changed for fiscal year 2004 to \$5,058.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

The anticipated state foundation revenue for fiscal year 2004 is based on current estimates provided by the Ohio Department of Education. The most recent estimate reported on the October school foundation statement of settlement is \$5,582,000. Unrestricted grants-in-aid revenue is summarized as follows:

	Fiscal Year 2003	Fiscal Year 2004	Variance Increase
Formula Aid	\$4,261,000	\$4,153,000	(\$108,000)
Categorical Funding	764,000	765,000	1,000
Equity Aid	134,000	88,000	(46,000)
Transportation	0	0	0
Excess Cost	62,000	53,000	(9,000)
Parity Aid	0	497,000	497,000
Open Enrollment Received	305,000	0	(305,000)
Open Enrollment Payments	(111,000)	0	111,000
Foundation Adjustments	(130,000)	0	130,000
Utility Deregulation	23,000	26,000	3,000
Totals	<u>\$5,308,000</u>	<u>\$5,582,000</u>	<u>\$274,000</u>

Formula aid decreased due to a decline in ADM and an increase in assessed values and was offset by an increase in the per pupil funding amount. Parity aid was restricted in fiscal year 2003 and was recorded as part of restricted grants-in-aid. Parity aid for 2004 is no longer restricted. Beginning in 2004, open enrollment revenue is reflected as other miscellaneous revenue, and open enrollment payments and tuition payments are reflected as purchased service expenditures.

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 are used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are to be made twice a year in February and August. The School District is anticipating \$26,000 in public utility reimbursements in fiscal year 2004, which is based on information provided by the Ohio Department of Taxation.

C. Restricted Grants-in-Aid

Restricted grants-in-aid during the forecast period consist of an anticipated bus purchase allowance of \$14,000, vocational education aid of \$55,000 and a DPIA subsidy of \$314,000 which all are based on information from the Ohio Department of Education. During fiscal year 2003, the School District classified its parity aid as restricted grants-in-aid. For 2004, parity aid is no longer restricted. The combination of \$349,000 in parity aid being reclassified as unrestricted grants-in-aid, a \$16,000 decrease in the bus purchase allowance, and a \$4,000 increase in other restricted revenues are the causes of the decrease in forecasted restricted grants-in-aid for fiscal year 2004.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

D. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. 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. In addition, State law exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for the loss of property taxes as a result of these tax relief programs. Property tax allocation revenue, based on information provided by the Belmont County Auditor, is anticipated to be \$275,000, a decrease of \$3,000 from fiscal year 2003. This decrease is the net difference in a \$1,000 forecasted increase in homestead and rollback due to the County having a sexennial revaluation during 2003 along with a \$4,000 decrease in the ten thousand personal property tax exemption reimbursement.

E. All Other Revenues

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

The School District receives tuition for non-handicapped students as well as open enrollment. In prior years, the School District recorded open enrollment revenue on its books net of open enrollment expenditures. For fiscal year 2004, the School District is recording the open enrollment revenue at gross revenue instead of net. \$313,000 is being forecasted for open enrollment for fiscal year 2004. The School District is forecasting \$2,000 in tuition from other districts for fiscal year 2004.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest is forecasted to decrease in fiscal year 2004 due to a decline in interest rates on investments and also to the declining general fund balance of the School District.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase (Decrease)
Tuition	\$2,000	\$2,000	\$0
Interest on Investments	34,000	18,000	(16,000)
Rentals	5,000	4,000	(1,000)
Open Enrollment	0	313,000	313,000
Miscellaneous	80,000	26,000	(54,000)
Totals	\$121,000	\$363,000	\$242,000

The primary reason for the \$54,000 decrease in miscellaneous revenue is due to a one-time \$48,000 donation that the School District received in fiscal year 2003.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

F. Other Financing Sources

Advances-In in the amount of \$142,000 represents the repayment of advances from the self-insurance and miscellaneous federal grant funds made in a prior fiscal year.

All Other Financing Sources in the amount of \$47,000 represents refunds of expenditures made in prior fiscal years.

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.

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives. For certified employees, the current contract covers the period July 1, 1998, to June 30, 2001. The contract has been extended to cover each fiscal year thereafter, including fiscal year 2004. Step increases, on average, are two percent. The contract for classified staff covers the period July 1, 2000, to June 30, 2003, and has been extended to June 30, 2004. Both of these extended contracts for fiscal year 2004 do not include base salary increases. Administrative salaries are set by the Board of Education.

Salaries are forecasted to decrease by \$296,000 from fiscal year 2003. At the end of fiscal year 2003, five certified employees left the School District and the School District elected not to replace them. In addition, four classified employees left the School District and the School District has elected not to replace them.

The School District offers a severance payment to retiring employees of one fourth of accumulated sick days at their current daily rate of pay up to a maximum 68.75 days. Severance payments were made in the forecast period for employees that had retired during fiscal year 2003. In addition, one employee passed away during fiscal year 2004, for which a severance payment was made. The School District anticipates the retirement of two employees during fiscal year 2004. Their severance payments are excluded from the forecast because they will be paid in fiscal year 2005.

During fiscal year 2003, as an incentive for employees to retire, the School District offered a temporary change in policy which allowed a retiree to receive \$30,000 upon retirement rather than \$15,000. This amount totaled \$150,000 for five employees and was paid in May 2003. For fiscal year 2004, the incentive amount has returned to \$15,000. The School District anticipates two employees retiring during fiscal year 2004 and the retirement incentive payment will be paid in May 2004.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

B. Employees' Retirement/Insurance Benefits

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

Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's premium rate and the anticipated salaries for the fiscal year. A rebate in workers' compensation premiums is not anticipated for fiscal year 2004. The School District currently participates in the Sheakley Workers' Compensation Group Rating Program. The School District pays a rate billed by the State Workers' Compensation system based on the group rate and the actual salaries for the premium period. For the fiscal year 2004, the School District anticipates \$51,000 in workers' compensation premiums which is a \$10,000 increase from fiscal year 2003.

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. Adjustments resulting from over/under estimates are prorated over the next calendar year. The School District also pays the superintendent's and treasurer's employee contributions. Although there are step increases, the underestimating of payroll for STRS and SERS withholding purposes in the prior year results in an overall forecasted increase in retirement contributions of \$65,000 from fiscal year 2003.

Health and dental coverage is provided through a self-insurance internal service fund. Amounts are paid into the self-insurance internal service fund by the School District on a monthly basis. The money within the fund is turned over to the Ohio Mid-Eastern Regional Educational Service Agency (OMERESA) who processes and pays all employee claims. In prior years, claims paid from the fund were significantly greater than the payments made to the fund, creating a deficit in excess of \$400,000. This deficit has been financed by OMERESA using money from other clients. Beginning July, 1, 2003, payments made to the fund were increased 46 percent.

Effective January 1, 2004, the School District will contract with the HealthPlan, a Health Maintenance Organization (HMO), for health care and dental coverage which is estimated to save approximately \$25,000 monthly in health care costs. For fiscal year 2004, the School District still anticipates an overall increase in health care costs, despite changing to the HealthPlan. This is due to half of the year's health care benefits being provided by the self-insurance plan with the 46 percent increase in premiums, plus the payment of the deficit and the estimated incurred but not reported claims in the Self-Insurance Fund in the amount of \$476,000. Since the School District has elected to terminate the agreement with OMERESA, the full \$476,000 must be paid to OMERESA within 90 days of termination pursuant to the contract agreement.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$919,000 are comprised of the following:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase
Professional and Technical Services	\$150,000	\$174,000	\$24,000
Property Services	140,000	162,000	22,000
Travel and Meeting Expenses	28,000	29,000	1,000
Communication Costs	45,000	60,000	15,000
Utility Services	244,000	305,000	61,000
Trade Services	1,000	1,000	0
Open Enrollment	0	114,000	114,000
Tuition Payments	17,000	18,000	1,000
Other Purchased Services	31,000	56,000	25,000
Totals	<u>\$656,000</u>	<u>\$919,000</u>	<u>\$263,000</u>

The School District is anticipating a \$263,000 increase in purchased services for fiscal year 2004. This increase is in part due to an increased cost in utilities due to inflation. Utilities are also expected to increase due to fiscal year 2004 being the first full year that the new facilities will be in use. In addition, the forecasted expenditure amounts for open enrollment and other tuition are being reflected in this category rather than being posted net against open enrollment revenues as had been the practice in prior years. Other purchased services are increasing due to additional costs for services provided by the Belmont County Educational Service Center in fiscal year 2003 that will be paid in fiscal year 2004, as well as the inception of a Virtual Learning Academy.

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance (Decrease)
General Supplies, Library Books and Periodicals	\$182,000	\$168,000	(\$14,000)
Supplies & Materials for Operation & Maintenance	109,000	106,000	(3,000)
Textbooks	108,000	64,000	(44,000)
Other Supplies & Materials	2,000	2,000	0
Totals	<u>\$401,000</u>	<u>\$340,000</u>	<u>(\$61,000)</u>

The School District is forecasting a \$61,000 decrease in materials and supplies for the forecast period. This is due mainly to an increase in supply purchases due to the completion of the new buildings in fiscal year 2003. These expenditures are not anticipated during fiscal year 2004.

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Summary of Significant Assumptions and Accounting Policies
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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 \$65,000 for the purchase of equipment for the new school buildings and a school bus. The \$374,000 decrease from fiscal year 2003 is primarily due to the School District completing construction of new buildings in fiscal year 2003. The School District has a permanent improvement fund; however, these monies will be expended for roof repairs on the existing elementary school and so will not be available to pay for the needed equipment and a new bus. Amounts 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 \$151,000. The \$14,000 increase from fiscal year 2003 is due to inflation and the School District contracting with the Auditor of State's Office for examination of the School District's financial forecast for fiscal year 2004.

G. - Operating Transfers and Advances Out

The School District is forecasting advances out in fiscal year 2004 in the amount of \$45,000 to its federal grant funds. The School District is forecasting transfers out in fiscal year 2004 in the amount of \$40,000 to its food service fund. The \$143,000 decrease in transfers is due to non-recurring transfers to capital project funds during the construction phase of the school facilities project. The decrease in forecasted advances in the amount of \$180,000 is the result of the School District discontinuing its self-insurance program and electing to obtain insurance from a health maintenance organization.

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, supplies and materials, capital outlay and other objects as of June 30, 2003 were \$204,000 and are forecasted at \$200,000 as of June 30, 2004 based upon standard operating procedures of the District.

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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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 2004 is \$188,000. There was a carryover balance of (\$209,000) from fiscal year 2003. The School District is expecting to have \$170,000 in instructional supplies, textbooks, and other qualifying expenditures during the current fiscal year which will not require a reserve balance in this account.

B. - Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2004 is \$188,000. There was no carryover of from fiscal year 2003. The School District anticipates \$40,000 in qualifying expenditures and \$304,000 in offsets in fiscal year 2004, which will not require a reserve balance in this account.

C. - Bus Purchases

At June 30, 2003, the School District had \$1,000 in unspent bus monies. The School District estimated receiving \$14,000 in a bus purchase allowance during fiscal year 2004. The School District estimates it will spend \$55,000 on the purchase of a bus during the current fiscal year which will not require a reserve balance in this account.

D. - Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2003, the School District had no unspent DPIA monies. The School District anticipates receiving \$314,000 in restricted DPIA monies during fiscal year 2004. The School District anticipates spending \$314,000 in DPIA expenditures during the current fiscal year. Therefore, there is no reserve included for DPIA.

Note 10 - Levies

The School District has placed a 1.5% income tax levy on the November 4, 2003 ballot. If passed, the levy will generate approximately \$650,000 in fiscal year 2004 and \$1,300,000 in each fiscal year thereafter in which there is a full year of collection. 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. In the past ten years, the School District has placed two levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 1995	Permanent	.5% income tax	5 Years	Passed
February 1999	Bond Issue	3.7 mills	20 Years	Passed

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

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.



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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
DECEMBER 18, 2003**