



Mary Taylor, CPA
Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2007**

Local Government Services Section

Barnesville Exempted Village School District
Belmont County

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Mary Taylor, CPA
Auditor of State

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 January 11, 2007. 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, 2007 of \$1,745,000.

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 2008 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, 2007 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 2007.

MARY TAYLOR, CPA
Auditor of State

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

Peter R. Sorem
Chief of Local Government Services

February 15, 2007

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Mary Taylor, CPA

Auditor of State

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, 2007. 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, 2004, 2005 and 2006 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 11, 2007

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BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
 BELMONT COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEARS ENDED JUNE 30, 2004 THROUGH 2006 ACTUAL;
 FOR THE FISCAL YEAR ENDING JUNE 30, 2007 FORECASTED
 GENERAL FUND

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Forecasted
Revenues				
General Property Tax (Real Estate)	\$1,768,000	\$1,793,000	\$1,864,000	\$1,924,000
Tangible Personal Property Tax	229,000	156,000	191,000	140,000
Unrestricted Grants-in-Aid	5,573,000	5,517,000	5,465,000	5,486,000
Restricted Grants-in-Aid	391,000	403,000	420,000	397,000
Property Tax Allocation	275,000	316,000	273,000	298,000
All Other Revenues	346,000	477,000	495,000	522,000
<i>Total Revenues</i>	<u>8,582,000</u>	<u>8,662,000</u>	<u>8,708,000</u>	<u>8,767,000</u>
Other Financing Sources				
Solvency Assistance Advance	1,551,000	0	0	0
Proceeds from Sale of Notes	400,000	0	0	0
Advances In	138,000	149,000	35,000	43,000
All Other Financing Sources	91,000	21,000	15,000	15,000
<i>Total Other Financing Sources</i>	<u>2,180,000</u>	<u>170,000</u>	<u>50,000</u>	<u>58,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>10,762,000</u>	<u>8,832,000</u>	<u>8,758,000</u>	<u>8,825,000</u>
Expenditures				
Personal Services	5,714,000	4,519,000	4,385,000	4,454,000
Employees' Retirement/Insurance Benefits	2,576,000	1,933,000	1,873,000	1,834,000
Purchased Services	783,000	796,000	959,000	989,000
Supplies and Materials	235,000	209,000	377,000	400,000
Capital Outlay	5,000	6,000	82,000	225,000
Debt Service:				
Principal - Solvency Assistance Loan	0	776,000	776,000	0
Principal - Tax Anticipation Note	400,000	0	0	0
Interest	4,000	0	0	0
Other Objects	140,000	110,000	120,000	113,000
<i>Total Expenditures</i>	<u>9,857,000</u>	<u>8,349,000</u>	<u>8,572,000</u>	<u>8,015,000</u>
Other Financing Uses				
Advances Out	149,000	35,000	43,000	45,000
Operating Transfers Out	490,000	0	0	0
<i>Total Other Financing Uses</i>	<u>639,000</u>	<u>35,000</u>	<u>43,000</u>	<u>45,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>10,496,000</u>	<u>8,384,000</u>	<u>8,615,000</u>	<u>8,060,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	266,000	448,000	143,000	765,000
Cash Balance July 1	250,000	516,000	964,000	1,107,000
Cash Balance June 30	516,000	964,000	1,107,000	1,872,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	139,000	101,000	176,000	120,000
Reservation of Fund Balance for Bus Purchase	16,000	32,000	0	7,000
Total Encumbrances and Reserves of Fund Balance	<u>155,000</u>	<u>133,000</u>	<u>176,000</u>	<u>127,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$361,000</u>	<u>\$831,000</u>	<u>\$931,000</u>	<u>\$1,745,000</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, 2007

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 46 non-certified employees and 84 certificated full time teaching personnel who provide services to approximately 1,185 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 January 11, 2007, 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 general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget (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, 2007

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, 2007

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 resolution 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 are applied to real estate, public utility real and personal property, manufactured homes, and tangible personal property used in business. Property taxes are collected for, and distributed to, the school districts of 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. Final settlement dates on which collections are distributed to the School District are set by State Statute. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2006 (the collection year) for real and public utility property taxes represents collections of calendar year 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the fiscal year.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

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 increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, the School District may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2008 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. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

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

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (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 and maintenance of buildings constructed as part 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 on carry-over property as in the year in which the levy was approved. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set amount of revenue annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage below 20 mills. 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 2007.

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

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased out from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax – The general property tax revenue account appearing on the forecast 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 \$60,000 due to a six-year re-appraisal and new construction.

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

Beginning in 2006, HB 66 will phase out by 25 percent each year tangible personal property tax on most 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 from general business taxpayers (except telephone companies) whose last year to pay tangible personal property tax is 2010. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the 2005 tangible personal property tax collections, will lose \$179,000 when the tangible personal property tax is completely phased out in 2009. These changes do not affect tangible personal property of public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation Revenue below).

Tangible personal property tax revenues include the actual settlement scheduled for June 2006 but actually received in fiscal year 2007, the actual October 2006 and an estimate of the June 2007 personal property tax settlement. The \$51,000 decrease in tangible personal property tax revenues for the forecast period compared to the prior fiscal year is due to the phase out of taxable personal property tax.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid 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

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

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. Historically, the per pupil amount has increased 2.2 percent since 2004 and 2.8 percent in fiscal years prior to fiscal year 2004. The per pupil amount for fiscal years 2003 to 2007 is as follows:

Fiscal Year	Per Pupil Foundation Level
2004	5,058
2005	5,169
2006	5,283
2007	5,403

The anticipated unrestricted grants-in-aid for fiscal year 2007 are based on current estimates provided by the Ohio Department of Education. The most recent estimates reported on the January school foundation statement for fiscal year 2007 and the amounts for the last three fiscal years are as follows:

	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Forecasted Fiscal Year 2007	Variance Increase (Decrease)
Formula Aid	\$4,057,000	\$3,818,000	\$3,813,000	\$3,544,000	(\$269,000)
Categorical Funding	430,000	431,000	496,000	469,000	(27,000)
Charge-Off Supplement	0	0	4,000	62,000	58,000
Equity Aid	88,000	32,000	0	0	0
Transportation	380,000	381,000	391,000	398,000	7,000
Excess Costs	81,000	119,000	150,000	153,000	3,000
Parity Aid	475,000	578,000	580,000	562,000	(18,000)
Transitional Aid Guarantee	0	0	30,000	298,000	268,000
Reappraisal Guarantee	0	145,000	0	0	0
Foundation Adjustments	62,000	13,000	1,000	0	(1,000)
Total Unrestricted Grants-in-Aid	\$5,573,000	\$5,517,000	\$5,465,000	\$5,486,000	\$21,000

Formula Aid and categorical funding are anticipated to decrease due to a decrease in ADM of 41. The School District will also receive \$298,000 in transitional aid guaranteed 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. Equity aid was phased out each year through fiscal year 2005. Parity aid is revenue provided to Districts which fall below the 80th percentile of the "per pupil wealth threshold" that has been completely phased in with the percentage of the distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006.

The intent of the charge-off supplement is to fill any gap that exists between the local revenue raised by a district and the amount the foundation formula assumes the district should raise to meet its local share of formula aid, special education and vocational education weighted aid and transportation aid. If a district's local revenue falls below the sum of the district's charge-off plus its assumed local share of special education and vocational education weighted aid and transportation aid, the State makes up the shortfall in charge-off supplement aid.

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

The excess cost supplement aid establishes a 3.3 mill limit on the district's share of combined funding for special education, vocational education and transportation. If the assumed local share of special and vocational weighted aid plus the assumed local share of transportation exceeds 3.3 mills times the district's recognized valuation, the State pays the difference in excess cost supplement aid.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance monies. The anticipated revenue for restricted grants-in-aid for fiscal year 2007 is based on estimates obtained from the Ohio Department of Education. For fiscal year 2007, the School District anticipates \$7,000 in bus purchase allowance monies. The School District expects to receive \$74,000 in career tech funding, a \$23,000 decrease from fiscal year 2006. In addition, the School District anticipates \$316,000 in Poverty Based Assistance monies which is the same amount received in the prior year.

D. - Property Tax Allocation

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

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 began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

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 were 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 and are identified as utility deregulation payments. For fiscal year 2007, the School District does not anticipate receiving any public utility reimbursements based on information provided by the Ohio Department of Taxation.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessment values under prior law and the assessment values under HB 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in HB 66 are implemented.

Property tax allocation revenue, based on information provided by the Belmont County Auditor and the Department of Taxation, is anticipated to increase by \$25,000 in fiscal year 2007

Barnesville Exempted Village School District
Belmont County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

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 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Tuition	\$1,000	\$3,000	\$4,000	\$3,000	(\$1,000)
Interest on Investments	9,000	14,000	32,000	50,000	\$18,000
Rentals	4,000	4,000	4,000	4,000	\$0
Open Enrollment	319,000	364,000	380,000	427,000	\$47,000
Other Revenue	13,000	92,000	75,000	38,000	(\$37,000)
Totals	<u>\$346,000</u>	<u>\$477,000</u>	<u>\$495,000</u>	<u>\$522,000</u>	<u>\$27,000</u>

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. Open enrollment revenues are increasing due to an increase of 9.2 students coming into the School District and an increase in the per pupil formula level. Interest on investments is anticipated to increase due to an increase in amounts available for investments.

F. - Other Financing Sources

The general fund is forecasting the return of advances made in fiscal year 2006 to various state and federal grant funds in the amount of \$43,000.

All Other Financing Sources in the amount of \$15,000 represents refunds of expenditures made in prior fiscal years and insurance reimbursements that have been received in fiscal year 2007.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payments for supplemental contracts, severance pay, 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 130 full-time equivalents and are expected to remain at this level during the forecast period. A comparison of staffing levels by fiscal year is presented below:

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For the Fiscal Year Ending June 30, 2007

	June 30 2004	June 30 2005	June 30 2006	December 2006
General Fund:				
Certified	93	74	71	71
Classified	50	34	34	35
Total General Fund	<u>143</u>	<u>108</u>	<u>105</u>	<u>106</u>
Other Funds:				
Certified	8	13	13	13
Classified	9	10	10	11
Total Other Funds	<u>17</u>	<u>23</u>	<u>23</u>	<u>24</u>
Totals	<u>160</u>	<u>131</u>	<u>128</u>	<u>130</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, 2006, and is currently under negotiation while they operate under the previous contract. The current classified contract covers the period July 1, 2004 to June 30, 2007. Both of these contracts contain no base increase; however, staff will continue to receive 2 percent step increases. Administrative salaries are set by the Board of Education. Certified salaries for fiscal year 2007 are expected to increase \$124,000 due to step increases, higher education certification, and the return of two teachers from maternity leave. Classified salaries are expected to increase \$18,000 due to step increases and the hiring of one additional teacher's aid.

The School District anticipates the cost for substitutes to decrease \$51,000 resulting from fewer employees taking maternity and professional leave.

Supplemental costs are expected to increase by \$11,000 during fiscal year 2007. This increase is primarily due to the reinstatement of academic supplemental positions in fiscal year 2007 and the two percent step increase as provided by the negotiated contracts.

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 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. Severance payments are expected to be \$118,000 in fiscal year 2007.

The School District is anticipating the retirement of three certified employees and the payment of severance in fiscal year 2007. 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 2007.

Other salaries and wages include leave benefits for two teachers who were on maternity leave in fiscal year 2006 and returned in fiscal year 2007.

Presented below is a comparison of salaries and wages for the last three fiscal years and the forecast period.

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	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Certified Salaries	\$4,087,000	\$3,251,000	\$3,036,000	\$3,160,000	\$124,000
Classified Salaries	1,094,000	847,000	832,000	850,000	18,000
Substitute Salaries	256,000	223,000	259,000	208,000	(51,000)
Supplemental Contracts	127,000	65,000	76,000	87,000	11,000
Severance Pay	131,000	97,000	126,000	118,000	(8,000)
Attendance Incentives	0	25,000	24,000	22,000	(2,000)
Other Salaries and Wages	19,000	11,000	32,000	9,000	(23,000)
Totals	<u>\$5,714,000</u>	<u>\$4,519,000</u>	<u>\$4,385,000</u>	<u>\$4,454,000</u>	<u>\$69,000</u>

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, Medicare, workers' compensation, health care, and other insurance benefits arising from the negotiated agreements. Retirement costs are based on the employer's contribution rate of 14 percent of the salaries for STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/underestimates are prorated over the next calendar year. The School District pays the employees' retirement contributions for the superintendent and treasurer. The increase of \$57,000 in retirement costs is due to step increases in salaries.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a traditional health plan. The School District pays 100 percent of the premiums for employees hired before July 1, 2004 and 90 percent of the premiums for employees hired after July 1, 2004. The District will experience a \$143,000 decrease in health insurance costs due to a 4.3 percent rate decrease in fiscal year 2007. Premiums for dental, vision and life insurance premiums will remain the same as fiscal year 2006.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipated paying the entire premium in May as in prior years. The premium for calendar year 2006, due in May 2007, increased to \$1.776 per hundred dollars of payroll from \$1.10 per hundred dollars of payroll for 2005. In 2004 and 2005, the State Workers' Compensation System granted all local government employers a premium reduction of 20 percent.

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

Tuition reimbursements are forecasted to increase by \$3,000 for fiscal year 2007 due to more certified employees seeking reimbursement for this benefit as compared to fiscal year 2006.

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Presented below is a comparison for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Employer's Retirement	\$938,000	\$754,000	\$623,000	\$680,000	\$57,000
Insurance	1,520,000	1,023,000	1,151,000	1,009,000	(142,000)
Workers' Compensation	52,000	35,000	48,000	89,000	41,000
Medicare	53,000	41,000	42,000	43,000	1,000
Unemployment	1,000	69,000	1,000	2,000	1,000
Tuition Reimbursement	12,000	11,000	8,000	11,000	3,000
Totals	\$2,576,000	\$1,933,000	\$1,873,000	\$1,834,000	(\$39,000)

C. Purchased Services

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

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Professional and Technical Services	\$91,000	\$118,000	\$147,000	\$183,000	\$36,000
Property Services	108,000	115,000	60,000	70,000	10,000
Travel and Meeting Expenses	10,000	8,000	20,000	19,000	(1,000)
Communication Costs	28,000	25,000	46,000	40,000	(6,000)
Utility Services	267,000	237,000	216,000	238,000	22,000
Open Enrollment/Tuition Payments	236,000	257,000	399,000	391,000	(8,000)
Pupil Transportation	1,000	2,000	24,000	2,000	(22,000)
Other Purchased Services	42,000	34,000	47,000	46,000	(1,000)
Totals	\$783,000	\$796,000	\$959,000	\$989,000	\$30,000

The \$36,000 increase in professional and technical services is due to increased legal costs relating to negotiating a new contract for certified employees. The increase in property services is due to higher basic maintenance cost and insurance rates. The \$22,000 increase in utility services is due to an increase in electrical and heating cost. Pupil transportation costs are anticipated to decrease \$22,000 due to a special needs student that required special transportation who no longer resides in the School District.

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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 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$133,000	\$100,000	\$130,000	\$143,000	\$13,000
Operations, Maintenance and Repair	90,000	105,000	127,000	133,000	6,000
Textbooks	12,000	4,000	120,000	124,000	4,000
Totals	<u>\$235,000</u>	<u>\$209,000</u>	<u>\$377,000</u>	<u>\$400,000</u>	<u>\$23,000</u>

General Supplies are expected to increase due to the purchasing of updated instructional supplies. Operational Supplies and materials are anticipated to increase because of restocking since no supplies were purchased in prior years. Textbooks are forecasted to increase due largely to the anticipated purchase of social studies textbooks.

E. Capital Outlay

The acquisition or construction of property, plant and equipment used for general governmental services is recorded as an expenditure. Capital outlay expenditures are anticipated to increase in fiscal year 2007 due to the School District replacing the roof of the high school and installing a security system in the elementary and middle schools.

F. Debt Service

The School District made its final principal payment in fiscal year 2006 on 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, fees, liability insurance, and county educational service center cost. The decrease of \$7,000 is due to decreased auditor and treasurer fees along with decreases in liability insurance.

H. Other Financing Uses

The School District anticipates advancing \$45,000 to various grant funds in the fiscal year 2007.

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.

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Encumbrances for purchased services, supplies and materials, capital outlay and other objects as of June 30, 2006 were \$176,000. The School District anticipates similar items to be encumbered in the amount of \$120,000 as of June 30, 2007.

Note 9 - Reservations of Fund Balance

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

Beginning in fiscal year 2006, HB 66 allows school districts in fiscal emergency to set aside less than the annual required set aside amount or set aside nothing in 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.

A. Bus Purchases

At June 30, 2006, the School District had \$7,000 in unspent bus monies. The School District is expecting to receive \$7,000 in a bus purchase allowance during fiscal year 2007. The School District has spent \$65,000 on the purchase of a new bus during the current fiscal year. Therefore, a \$7,000 reserve for bus purchases is forecasted.

B. Poverty Based Assistance

The School District anticipates receiving and spending \$316,000 in restricted Poverty Based Assistance monies during fiscal year 2007. 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

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Note 11 - Pending Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

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 2007 through 2011 was filed on October 26, 2006. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The financial plan assumes the continued operation of the School District with no new revenues. The unreserved fund balances decreases from \$1,788,000 for fiscal year 2008 to \$10,000 for fiscal year 2011.

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.



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 15, 2007**