



**Auditor of State  
Betty Montgomery**



**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	18
Statement of Fund Net Assets – Proprietary Fund .....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund .....	20
Statement of Cash Flows – Proprietary Fund .....	21
Statement of Fiduciary Net Assets – Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....	23
Notes to the Basic Financial Statements.....	24
Schedule of Federal Awards Receipts and Expenditures .....	53
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	57
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	59
Schedule of Findings - <i>OMB Circular A-133 .505</i> .....	61
Schedule of Prior Audit Finding - <i>OMB Circular A-133 Section .315(b)</i> .....	63
Corrective Action Plan - <i>OMB Circular A-133 Section .315(c)</i> .....	64

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Barnesville Exempted Village School District  
Belmont County  
210 W. Church Street  
Barnesville, Ohio 43713

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barnesville Exempted Village School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barnesville Exempted Village School District, Belmont County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The accompanying basic financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 4, the School District accumulated a \$1,734,668 General Fund deficit at June 30, 2004. As discussed in Note 1, the Auditor of State has declared the School District to be in fiscal emergency. The aforementioned deficit raises substantial doubt about the School District's ability to continue as a going concern. Management's plans in regards to these matters are described in Note 24. The basic financial statements do not include any adjustments that may result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



**Betty Montgomery**  
Auditor of State

April 18, 2005

## **Barnesville Exempted Village School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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The discussion and analysis of the Barnesville Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2004 are as follows:

- In total, net assets decreased \$1,286,998.
- General revenues accounted for \$7,956,473 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,562,525 or 24 percent of total revenues of \$10,518,998.
- Total assets of governmental activities decreased \$784,288 primarily due to annual depreciation expense which was slightly offset by an increase in current assets.
- The School District had \$11,805,996 in expenses related to governmental activities; only \$2,562,525 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$7,956,473 were not adequate to provide for these programs.
- The School District had three major funds; the General, Debt Service, and Classroom Facilities Funds. The General Fund had \$8,361,509 in revenues and \$8,649,186 in expenditures. The General Fund's balance decreased \$767,042. The Debt Service Fund had \$293,938 in revenues and \$246,560 in expenditures. The Debt Service Fund's balance increased \$47,378. The Classroom Facilities Fund had \$3,053 in revenues and \$44,861 in expenditures. The Classroom Facilities Fund's balance decreased \$41,808.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Barnesville Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

## **Barnesville Exempted Village School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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### ***Reporting the School District as a Whole***

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Debt Service Fund and the Classroom Facility Capital Projects Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**Barnesville Exempted Village School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current and Other Assets	\$4,317,248	\$4,296,404
Capital Assets	19,698,073	20,503,205
<b>Total Assets</b>	<b>24,015,321</b>	<b>24,799,609</b>
<b>Liabilities</b>		
Long-Term Liabilities	3,770,705	3,951,812
Other Liabilities	5,137,655	4,453,838
<b>Total Liabilities</b>	<b>8,908,360</b>	<b>8,405,650</b>
<b>Net Assets</b>		
Invested in Capital Assets		
Net of Debt	16,628,073	17,373,205
Restricted	832,228	1,002,834
Unrestricted (Deficit)	(2,353,340)	(1,982,080)
<b>Total Net Assets</b>	<b>\$15,106,961</b>	<b>\$16,393,959</b>

Total assets decreased \$784,288, which is attributable to a decrease in capital assets due to depreciation expense exceeding additions to capital assets. Current assets increased by \$20,844.

Total liabilities increased \$502,710. The primary cause for this increase resulted in the School District being placed in Fiscal Emergency and receiving a Solvency Loan for \$1,551,000. This liability increase was offset by decreases in accounts payable, accrued wages and benefits, contracts payable, early retirement incentive payable, matured severances payable and claims payable.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Barnesville Exempted Village School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years,

**Barnesville Exempted Village School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities 2004</b>
<b>Revenues</b>	
Program Revenue	
Charges for Services	\$614,117
Operating Grants	1,905,428
Capital Grants	42,980
Total Program Revenue	<u>2,562,525</u>
General Revenue	
Property Taxes	2,257,973
Grants and Entitlements	5,543,250
Investments	19,679
Others	135,571
Total General Revenue	<u>7,956,473</u>
<b>Total Revenues</b>	<u>10,518,998</u>
<b>Program Expenses:</b>	
Instruction:	
Regular	4,736,185
Special	1,505,140
Vocational	331,178
Support Services:	
Pupil	560,677
Instructional Staff	516,020
Board of Education, Administration, Fiscal and Business	1,269,140
Operation and Maintenance of Plant	1,147,970
Pupil Transportation	627,771
Central	167,256
Operation of Non-Instructional Services	78,947
Food Services Operations	416,050
Extracurricular Activities	265,650
Interest and Fiscal Charges	184,012
<b>Total Expenses</b>	<u>11,805,996</u>
<b>Change in Net Assets</b>	<u>(1,286,998)</u>

**Barnesville Exempted Village School District**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

In 2004, 21 percent of the School District's revenues were from property taxes and 53 percent were from unrestricted grants and entitlements.

Program revenues accounted for 24 percent of the School District's revenues in fiscal year 2004. These revenues consist of tuition and fees, charges for providing lunches to students, transportation and vocational services provided to other school districts, grants for specified purposes, and contributions and donations.

Instructional programs comprise approximately 56 percent of total governmental program expenses. Of the instructional expenses, approximately 72 percent is for regular instruction, 23 percent for special instruction, and 5 percent for vocational instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. Comparisons to 2003 have not been made since they are not available.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Instruction:		
Regular	\$4,736,185	\$3,971,930
Special	1,505,140	686,198
Vocational	331,178	268,065
Support Services:		
Pupil	560,677	426,822
Instructional Staff	516,020	438,743
Board of Education, Administration, Fiscal and Business	1,269,140	1,128,504
Operation and Maintenance of Plant	1,147,970	1,141,205
Pupil Transportation	627,771	598,875
Central	167,256	113,824
Operation of Non-Instructional Services	78,947	16,307
Food Service Operations	416,050	90,393
Extracurricular Activities	265,650	178,593
Interest and Fiscal Charges	184,012	184,012
<b>Total Expenses</b>	<u><u>\$11,805,996</u></u>	<u><u>\$9,243,471</u></u>

**Barnesville Exempted Village School District**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as 75 percent of instruction costs, 90 percent of support services costs, and 67 percent of extracurricular activities costs are supported through taxes and other general revenues. The General Fund subsidized extracurricular activities by approximately \$165,000 and food service operations by \$40,000 during fiscal year 2004.

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,557,883 and expenditures of \$11,148,202. As apparent, the School District's expenditures exceeded revenues during the fiscal year.

*General Fund Budgeting Highlights*

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2004 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2004 the School District had \$19,698,073 invested in land, land and improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
Land	\$248,950	\$248,950
Land Improvements	517,533	552,679
Buildings and Improvements	18,387,895	19,069,758
Furniture and Equipment	311,117	345,195
Vehicles	232,578	286,623
Totals	<u>\$19,698,073</u>	<u>\$20,503,205</u>

See note 10 for more detailed information of the School District's capital assets.

**Barnesville Exempted Village School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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***Debt***

At June 30, 2004, the School District had \$3,070,000 in general obligation bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	<b>Governmental Activities</b>	
	<u>2004</u>	<u>2003</u>
2000 School Facilities Bond	<u>\$3,070,000</u>	<u>\$3,130,000</u>

See Note 16 for more information regarding debt.

**Economic Factors**

Barnesville Exempted Village School District is currently experiencing financial difficulty as reflected by the decline in net assets. As the preceding information shows, the School District relies heavily on state funding as well as its property taxpayers. In fiscal year 2004, the School District received an advance on its state foundation monies in the amount of \$1,551,000. These dollars must be repaid by the School District over a period of two fiscal years, beginning in fiscal year 2005. The School District reduced its budget by \$1,700,000 through a reduction in force for fiscal year 2005. The School District has been unable to pass an income tax levy as an additional source of revenue.

The School District currently has a \$403,576 balance in the Classroom Facility Fund. The balance remains due to the fact the Ohio School Facilities Commission has not completed project close out. When the close out has been completed, remaining funds will be moved to the Classroom Maintenance Fund for maintaining the new buildings.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Timothy Pickana, Treasurer/CFO at Barnesville Exempted Village School District, 210 West Church Street, Barnesville, Ohio 43713.

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**Barnesville Exempted Village School District**  
*Statement of Net Assets*  
*June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,517,122
Cash and Cash Equivalent w/ Escrow Agent	25,333
Accounts Receivable	87,710
Intergovernmental Receivable	125,686
Prepaid Items	7,483
Inventory Held for Resale	8,102
Materials and Supplies Inventory	18,915
Property Taxes Receivable	2,526,897
Non-Depreciable Capital Assets	248,950
Depreciable Capital Assets, Net	<u>19,449,123</u>
<i>Total Assets</i>	<u>24,015,321</u>
<b>Liabilities</b>	
Accounts Payable	25,949
Accrued Wages and Benefits Payable	959,560
Intergovernmental Payable	325,970
Accrued Interest Payable	12,536
Vacation Benefits Payable	25,910
Retainage Payable	25,333
Deferred Revenue	2,211,397
State Operating Loan Payable	1,551,000
Long-Term Liabilities:	
Due Within One Year	130,977
Due In More Than One Year	<u>3,639,728</u>
<i>Total Liabilities</i>	<u>8,908,360</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	16,628,073
Restricted for:	
Capital Projects	403,576
Debt Service	252,587
Other Purposes	176,065
Unrestricted (Deficit)	<u>(2,353,340)</u>
<i>Total Net Assets</i>	<u><u>\$15,106,961</u></u>

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$4,736,185	\$320,490	\$443,765	\$0
Special	1,505,140	0	818,942	0
Vocational	331,178	0	63,113	0
Support Services:				
Pupil	560,677	61,441	72,414	0
Instructional Staff	516,020	4,135	73,142	0
Board of Education	68,434	0	0	0
Administration	874,843	0	140,539	0
Fiscal	322,270	0	0	0
Business	3,593	97	0	0
Operation and Maintenance of Plant	1,147,970	4,354	2,411	0
Pupil Transportation	627,771	1,031	13,210	14,655
Central	167,256	0	25,107	28,325
Operation of Non-Instructional Services	78,947	0	62,640	0
Food Service Operations	416,050	135,512	190,145	0
Extracurricular Activities	265,650	87,057	0	0
Interest and Fiscal Charges	184,012	0	0	0
<i>Total Governmental Activities</i>	<u>\$11,805,996</u>	<u>\$614,117</u>	<u>\$1,905,428</u>	<u>\$42,980</u>

**General Revenues**

Property Taxes Levied for General Purposes  
Property Taxes Levied for Building Maintenance  
Property Taxes Levied for Debt Service  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - See Note 3*

*Net Assets End of Year*

See accompanying notes to the basic financial statements



Net (Expense) Revenue  
and Changes in Net Assets

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Governmental  
Activities

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(\$3,971,930)  
(686,198)  
(268,065)  
  
(426,822)  
(438,743)  
(68,434)  
(734,304)  
(322,270)  
(3,496)  
(1,141,205)  
(598,875)  
(113,824)  
(16,307)  
(90,393)  
(178,593)  
(184,012)

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(9,243,471)

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1,968,593  
35,533  
253,847  
5,543,250  
19,679  
135,571

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7,956,473

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(1,286,998)

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16,393,959

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\$15,106,961

**Barnesville Exempted Village School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$479,131	\$228,363	\$407,648	\$386,102	\$1,501,244
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	15,878	0	0	0	15,878
Cash and Cash Equivalents w/ Escrow Agent			25,333		25,333
Receivables:					
Property Taxes	2,217,092	271,074	0	38,731	2,526,897
Accounts	7,710	0	0	0	7,710
Intergovernmental	0	0	0	125,686	125,686
Interfund	149,000	0	0	0	149,000
Prepaid Items	6,683	0	0	800	7,483
Inventory Held for Resale	0	0	0	8,102	8,102
Materials and Supplies Inventory	16,184	0	0	2,731	18,915
<i>Total Assets</i>	<u>\$2,891,678</u>	<u>\$499,437</u>	<u>\$432,981</u>	<u>\$562,152</u>	<u>\$4,386,248</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$7,728	\$0	\$4,072	\$14,149	\$25,949
Accrued Wages and Benefits	779,574	0	0	179,986	959,560
Retainage Payable	0	0	25,333	0	25,333
Interfund Payable	0	0	0	69,000	69,000
Intergovernmental Payable	183,930	0	0	27,658	211,588
Deferred Revenue	2,104,114	255,598	0	69,978	2,429,690
State Operating Loan Payable	1,551,000	0	0	0	1,551,000
<i>Total Liabilities</i>	<u>4,626,346</u>	<u>255,598</u>	<u>29,405</u>	<u>360,771</u>	<u>5,272,120</u>
<b>Fund Balances (Deficit)</b>					
Reserved for Encumbrances	132,280	0	0	44,454	176,734
Reserved for Property Taxes	112,978	15,476	0	2,194	130,648
Reserved for Bus Purchases	15,878	0	0	0	15,878
Unreserved, Undesignated, Reported in:					
General Fund	(1,995,804)	0	0	0	(1,995,804)
Special Revenue Funds	0	0	0	154,733	154,733
Debt Service Fund	0	228,363	0	0	228,363
Capital Projects Funds	0	0	403,576	0	403,576
<i>Total Fund Balances</i>	<u>(1,734,668)</u>	<u>243,839</u>	<u>403,576</u>	<u>201,381</u>	<u>(885,872)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,891,678</u>	<u>\$499,437</u>	<u>\$432,981</u>	<u>\$562,152</u>	<u>\$4,386,248</u>

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2004*

**Total Governmental Fund Balances** (\$885,872)

*Amounts reported for governmental activities in the  
statement of net assets are different because*

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 19,698,073

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds:

Grants	33,441
Property Taxes	<u>184,852</u>

Total 218,293

Intergovernmental payable includes contractually required pension  
contributions not expected to be paid with available resources,  
and therefore, are not reported in the funds. (114,382)

Accrued interest payable is recognized for outstanding long-term liabilities with  
interest accruals that are not expected to be paid with expendable available  
resources and therefore are not reported in the funds. (12,536)

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and therefore are not reported in the funds:

General Obligation Bonds	3,070,000
Compensated Absences	700,705
Vacation Benefits Payable	<u>25,910</u>

Total (3,796,615)

*Net Assets of Governmental Activities* \$15,106,961

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,965,036	\$251,577	\$0	\$35,101	\$2,251,714
Intergovernmental	5,958,584	38,339	0	1,526,017	7,522,940
Interest	6,039	4,022	3,053	6,565	19,679
Tuition and Fees	316,025	0	0	0	316,025
Extracurricular Activities	0	0	0	153,533	153,533
Rent	4,200	0	0	0	4,200
Contributions and Donations	117	0	0	13,745	13,862
Charges for Services	4,847	0	0	135,512	140,359
Miscellaneous	106,661	0	0	28,910	135,571
<i>Total Revenues</i>	<u>8,361,509</u>	<u>293,938</u>	<u>3,053</u>	<u>1,899,383</u>	<u>10,557,883</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	3,785,514	0	0	620,396	4,405,910
Special	933,468	0	0	509,186	1,442,654
Vocational	308,838	0	0	0	308,838
Support Services:					
Pupil	404,218	0	0	138,319	542,537
Instructional Staff	410,794	0	0	86,728	497,522
Board of Education	68,137	0	0	0	68,137
Administration	675,556	0	0	144,907	820,463
Fiscal	295,690	6,097	0	848	302,635
Business	3,456	0	0	98	3,554
Operation and Maintenance of Plant	981,323	0	44,861	94,919	1,121,103
Pupil Transportation	506,075	0	0	18,875	524,950
Central	109,561	0	0	60,433	169,994
Operation of Non-Instructional Services	0	0	0	78,947	78,947
Food Service Operations	0	0	0	363,945	363,945
Extracurricular Activities	163,023	0	0	89,994	253,017
Debt Service:					
Principal Retirement	0	60,000	0	0	60,000
Interest and Fiscal Charges	3,533	180,463	0	0	183,996
<i>Total Expenditures</i>	<u>8,649,186</u>	<u>246,560</u>	<u>44,861</u>	<u>2,207,595</u>	<u>11,148,202</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(287,677)	47,378	(41,808)	(308,212)	(590,319)
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	40,000	40,000
Transfers Out	(479,365)	0	0	0	(479,365)
<b>Total Other Financing Sources (Uses)</b>	<u>(479,365)</u>	<u>0</u>	<u>0</u>	<u>40,000</u>	<u>(439,365)</u>
<i>Net Change in Fund Balances</i>	(767,042)	47,378	(41,808)	(268,212)	(1,029,684)
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	(967,626)	196,461	445,384	469,593	143,812
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,734,668)</u>	<u>\$243,839</u>	<u>\$403,576</u>	<u>\$201,381</u>	<u>(\$885,872)</u>

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		(\$1,029,684)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		(805,132)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Grants	(45,144)	
Property Taxes	<u>6,259</u>	
Total		(38,885)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General Obligation Bonds	<u>60,000</u>	
Total		60,000
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		(16)
Some expenses reported in the statement of activities, such as compensated absences, vacation benefits payable and intergovernmental payables, which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Intergovernmental Payable	(23,050)	
Vacation Benefits Payable	1,584	
Compensated Absences Payable	<u>121,107</u>	
Total		99,641
The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities.		<u>427,078</u>
<i>Changes in Net Assets of Governmental Activities</i>		<u><u>(\$1,286,998)</u></u>
See accompanying notes to the basic financial statements		

**Barnesville Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,190,000	\$1,976,082	\$1,963,902	(\$12,180)
Intergovernmental	6,251,553	5,930,182	5,958,584	28,402
Interest	0	0	9,412	9,412
Tuition and Fees	416,745	362,937	318,418	(44,519)
Rent	0	0	4,200	4,200
Contributions and Donations	0	0	117	117
Charges for Services	0	0	4,847	4,847
Miscellaneous	0	0	100,495	100,495
<i>Total Revenues</i>	<u>8,858,298</u>	<u>8,269,201</u>	<u>8,359,975</u>	<u>90,774</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,094,505	4,090,396	4,085,998	4,398
Special	1,024,357	953,897	947,336	6,561
Vocational	386,790	380,648	380,274	374
Support Services:				
Pupils	453,734	421,566	412,241	9,325
Instructional Staff	407,958	424,059	416,956	7,103
Board of Education	89,175	93,166	90,408	2,758
Administration	747,787	760,137	755,321	4,816
Fiscal	305,580	330,029	317,537	12,492
Business	33,155	3,982	2,867	1,115
Operation and Maintenance of Plant	1,170,530	1,090,751	1,033,441	57,310
Pupil Transportation	568,701	539,554	537,380	2,174
Central	181,438	122,651	118,580	4,071
Extracurricular Activities	170,174	169,933	165,981	3,952
Capital Outlay	37,500	1,500	1,500	0
Debt Service:				
Principal Retirement	0	400,000	400,000	0
Interest and Fiscal Charges	3,000	3,533	3,533	0
<i>Total Expenditures</i>	<u>9,674,384</u>	<u>9,785,802</u>	<u>9,669,353</u>	<u>116,449</u>
Excess of Revenues Over (Under) Expenditures	<u>(816,086)</u>	<u>(1,516,601)</u>	<u>(1,309,378)</u>	<u>207,223</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	47,097	0	(47,097)
Advances In	0	142,000	137,937	(4,063)
Solvency Assistance Loan Issued	1,551,000	1,551,000	1,551,000	0
Tax Anticipation Note Issued	0	400,000	400,000	0
Transfers Out	(566,930)	(605,000)	(479,365)	125,635
Advances Out	(286,479)	(151,500)	(149,000)	2,500
<i>Total Other Financing Sources (Uses)</i>	<u>697,591</u>	<u>1,383,597</u>	<u>1,460,572</u>	<u>76,975</u>
<i>Net Change in Fund Balance</i>	<u>(118,495)</u>	<u>(133,004)</u>	<u>151,194</u>	<u>284,198</u>
<i>Fund Balance Beginning of Year</i>	<u>125,516</u>	<u>125,516</u>	<u>125,516</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>79,138</u>	<u>79,138</u>	<u>79,138</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$86,159</u>	<u>\$71,650</u>	<u>\$355,848</u>	<u>\$284,198</u>

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2004*

	Governmental Activity
	Internal Service Fund
<b>Current Assets</b>	
Accounts Receivable	\$80,000
 <b>Current Liabilities</b>	
Interfund Payable	80,000
 <b>Net Assets</b>	
Unrestricted	0
 <i>Total Net Assets</i>	\$0

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Governmental Activity
	Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$527,668
<b>Operating Expenses</b>	
Purchased Services	28,300
Claims	511,655
<i>Total Operating Expenses</i>	539,955
<i>Operating Loss</i>	(12,287)
Transfers In	439,365
<i>Change in Net Assets</i>	427,078
<i>Net Assets (Deficit) Beginning of Year</i>	(427,078)
<i>Net Assets End of Year</i>	\$0

See accompanying notes to the basic financial statements



**Barnesville Exempted Village School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2004

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$527,668
Cash Payments for Goods and Services	(28,300)
Cash Payments for Claims	(668,266)
	(168,898)
<i>Net Cash Used for Operating Activities</i>	(168,898)
<b>Cash Flows from Noncapital Financing Activities</b>	
Interfund Loan	80,000
Transfer In	439,365
Repayment of Interfund Loan	(350,467)
	168,898
<i>Net Cash Provided by Noncapital Financing Activities</i>	168,898
<i>Net Increase in Cash and Cash Equivalents</i>	0
<i>Cash and Cash Equivalents Beginning of Year</i>	0
<i>Cash and Cash Equivalents End of Year</i>	\$0
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$12,287)
Increase in Assets:	
Accounts Receivable	(80,000)
Decrease in Liabilities:	
Claims Payable	(76,611)
	(168,898)
<i>Net Cash Used for Operating Activities</i>	(\$168,898)
See accompanying notes to the basic financial statements	

**Barnesville Exempted Village School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	<b>Private Purpose Trust Fund</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$35,469	\$60,446
<i>Total Assets</i>	35,469	\$60,446
<b>Liabilities</b>		
Due to Students	0	\$60,446
<i>Total Liabilities</i>	0	\$60,446
<b>Net Assets</b>		
Held in Trust for Scholarships	35,469	
<i>Total Net Assets</i>	\$35,469	

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$659
<b>Deductions</b>	
Scholarships Awarded	2,500
<i>Change in Net Assets</i>	(1,841)
<i>Net Assets Beginning of Year</i>	37,310
<i>Net Assets End of Year</i>	\$35,469

See accompanying notes to the basic financial statements

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## **Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Barnesville Exempted Village School District (the School District) operates under a locally-elected Board form of government and provides educational services as authorized by state and federal agencies. This Board controls the School District's 4 instructional/support facilities staffed by 57 non-certified employees, 105 certificated full time teaching personnel and 5 administrative employees to provide services to approximately 1,296 students and other community members.

The School District was established in 1855 as the Barnesville Public Schools, with the first high school being established in 1878. In 1957, the Barnesville Exempted Village School District assumed the former Warren Township rural Local School District, the Somerset Township Rural Local School District, the Kirkwood Township Rural Local School District and portions of the Wayne Township Rural School District. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. 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 serves an area of approximately 126 square miles. It is located in Belmont County, including all of the Village of Barnesville, Warren Township, Somerset Township and Kirkwood Township, along with portions of Wayne Township, Flushing Township and Goshen Township. It currently operates 3 instructional buildings and 1 garage.

On December 18, 2003, the School District was placed in "Fiscal Emergency" by the Auditor of State due to the School District's declining financial condition. In accordance with State Statute, a five member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of the State Director of the Office of Budget and Management, the State Superintendent of Public Instruction, a resident/business owner within the School District appointed by the Belmont County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on April 7, 2004. 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. See Going Concern Note 24 for additional details.

#### *Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Barnesville Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

*Private Schools* – Within the School district boundaries, Olney Friends School and Barnesville Independent Elementary are operated as private schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the schools. The activity of these State monies by the School District is reflected in a Special Revenue fund for financial reporting purposes.

The School District is involved with six organizations, three of which are defined as jointly governed organizations, two which are defined as insurance purchasing pools and one which is defined as a related organization. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, the East Central Ohio Special Education Regional Resource Center, the Belmont-Harrison Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan and the Barnesville Hutton Memorial Library. These organizations are presented in Notes 17 through 19 to the basic financial statements.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Barnesville Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

#### **A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major 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 expended or transferred according to the general laws of Ohio.

***Debt Service Fund*** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

***Classroom Facilities Fund*** - The Classroom Facilities fund is a capital projects fund used to account for local and state monies to be used for facilities upgrades.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The school district has no enterprise funds.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, vision, prescription drug and dental claims.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private purpose trust

## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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which accounts for various college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and assets held by the School District as an agent for outside activities.

#### **C. Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from



## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

### **E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The School District maintains an escrow account that is held separate from the School District's central bank account and is reflected in the financial statements as "Restricted Assets: Cash and Cash Equivalents with Escrow Agents."

Following Ohio statutes, the Board of Education may, by resolution, specify the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$6,039, which includes \$1,268 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. During fiscal year 2004, the School District had no investments.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in governmental funds include unexpended revenues restricted for the purchase of buses and amounts to be used for the payment of retainage as required by state statute. See Note 20 for additional information regarding set-asides.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**I. Capital Assets**

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the School District's termination policy.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due or when resources are available. The unmatured portion of the bonds should be reported as general long-term liabilities segregated between amounts due in one year and amounts due in more than one year.

**M. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes and bus purchases.

## **Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for bus purchases is for State grant funds required to be utilized for the purchase of school buses.

### **O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources required to be used for music and athletics, maintenance of classroom facilities and state and federal grants restricted to expenditure for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### **R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **S. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NOTE 3 – PRIOR PERIOD RESTATEMENTS AND CHANGE IN ACCOUNTING PRINCIPLES**

**Changes in Accounting Principles** For the fiscal year ended June 30, 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” GASB No. 39, “Determining Whether Certain Organizations are Component Units,” GASB No. 41, “Budgetary Comparison Schedules – Perspective Differences,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the budgetary statements of the School District for fiscal year 2004.

GASB Statement No. 39 further defines the guidelines of GASB Statement No.14, “The Financial Reporting Entity.” At June 30, 2004, there was no effect as a result of implementing GASB Statement 39.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**Restatement of Fund Balances** The fund classification was updated during fiscal year 2004 to reclassify the Food Service Fund, previously reported as an enterprise fund, as a special revenue fund. This reclassification, a restatement for contracts payable and the implementation of Interpretation No. 6 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Debt Service	Classroom Facilities	Nonmajor Funds	Total
Fund Balances, June 30, 2003	(\$980,758)	\$196,461	\$532,423	\$469,703	\$217,829
Fund Reclassification:					
Food Service	0	0	0	(110)	(110)
Contracts Payable Restatement	0	0	(87,039)	0	(87,039)
Interpretation 6:					
Compensated Absences	13,132	0	0	0	13,132
Restated Fund Balances, June 30, 2003	<u>(\$967,626)</u>	<u>\$196,461</u>	<u>\$445,384</u>	<u>\$469,593</u>	\$143,812
GASB 34 Adjustments:					
Capital Assets					20,503,205
Internal Service Fund					(427,078)
Vacation Benefits Payable					(27,494)
Compensated Absences					(821,812)
General Obligation Bonds Payable					(3,130,000)
Accrued Interest Payable					(12,520)
Intergovernmental Payable					(91,332)
Deferred Revenue - Delinquent Taxes and Grants					257,178
Governmental Activities Net Assets, June 30, 2003					<u>\$16,393,959</u>

The transition from proprietary fund equity to net assets of the business type activities is as follows:

	<u>Food Service</u>
Fund Equity, June 30, 2003	\$69,503
Fund Reclassification, including the elimination of capital assets and long-term obligations	<u>(69,503)</u>
Business Type Activities, June 30, 2003	<u>\$0</u>

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

At June 30, 2004, the following fund had a deficit fund balance/net assets:

	<u>Deficit Fund Balance</u>
General Fund	\$1,734,668

As mentioned in Note 1, the School District was placed in “Fiscal Emergency” due to the District’s declining financial condition and received a \$1,551,000 advance on its state foundation monies. The deficit in the General fund was increased by the application of generally accepted accounting principles. The primary cause of the deficit balance is liabilities for accrued wages and benefits and the State operating loan. In an attempt to alleviate these deficits, the School District has implemented cost saving measures such as lower cost health insurance coverage and reduction in force.

**B. Statutory Compliance**

The following funds had deficit cash fund balances during the fiscal year:

As of April 30, 2004, the Food Service, Self-Insurance and Disadvantaged Pupil Impact Aid Funds reflected deficit cash fund balances of \$34,173, \$519,365 and \$68,902, respectively.

As of October 31, 2003, the General, Food Service, Self-Insurance, Title I, and Title V Funds reflected deficit cash fund balances of \$216,524, \$46,104, \$323,225, \$22,963 and \$3,122, respectively.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

	<u>General</u>
GAAP Basis	(\$767,042)
Revenue Accruals	(1,534)
Tax Anticipation Note Issued	400,000
Solvency Assistance Loan Issued	1,551,000
Advance In	137,937
Expenditure Accruals	(481,006)
Debt Service Principal Retirement	(400,000)
Advances Out	(149,000)
Encumbrances	<u>(139,161)</u>
Budget Basis	<u><u>\$151,194</u></u>

**NOTE 6 - CASH AND CASH EQUIVALENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, surety company bonds



**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits were \$1,638,370 and the bank balance was \$2,035,413. Of the bank balance:

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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- A. \$100,000 was covered by federal depository insurance; and
- B. \$1,935,413 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

The amount available as an advance at June 30, 2004 was \$112,978 in the General Fund, \$15,476 in the Debt Service Fund, and \$2,194 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2003, was \$111,844 in the General Fund, \$16,297 in the Debt Service Fund, and \$2,198 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$67,954,260	85.40%	\$76,476,530	88.76%
Public Utility Personal	5,234,890	6.58%	5,348,340	6.21%
Tangible Personal	6,379,980	8.02%	4,337,720	5.03%
	<u>\$79,569,130</u>	<u>100.00%</u>	<u>\$86,162,590</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$46.10		\$46.10

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, intergovernmental, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Food Service Subsidy	\$23,245
Title I	69,000
Title IID	16,290
Title VI	3,845
Drug Free School	<u>13,306</u>
Total	<u>\$125,686</u>

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**NOTE 9 – INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2004 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Governmental Funds	\$69,000
Internal Service Fund	80,000
Total	<u>\$149,000</u>

The loan to the Title I Special Revenue Fund was made to support the program until federal grant monies are received. The loan to the internal service fund was made to support the self insurance program. Effective December 31, 2003, the School District no longer participated in the self insurance program, however, the School District was due to receive stop loss reimbursements. See Subsequent Event Note 23 for additional information.

**B. Transfers**

	<u>Transfers to</u>		
	<u>Other</u>	<u>Internal</u>	
	<u>Governmental Funds</u>	<u>Service Fund</u>	<u>Total</u>
<u>Transfers from</u>			
General Fund	<u>\$40,000</u>	<u>\$439,365</u>	<u>\$479,365</u>

The above mentioned Transfers From/To were used to support the food service and the self-insurance program. The transfer for the internal service fund was made to satisfy a deficit cash balance.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Nondepreciable Capital Assets:				
Land	\$248,950	\$0	\$0	\$248,950
Depreciable Capital Assets:				
Land Improvements	796,761	0		796,761
Buildings and Improvements	24,175,411	0	0	24,175,411
Furniture and Equipment	745,942	0	0	745,942
Vehicles	789,053	0	0	789,053
Total Depreciable Capital Assets	26,507,167	0	0	26,507,167
Accumulated Depreciation:				
Land Improvements	(244,082)	(35,146)	0	(279,228)
Buildings and Improvements	(5,105,653)	(681,863)	0	(5,787,516)
Furniture and Equipment	(400,747)	(34,078)	0	(434,825)
Vehicles	(502,430)	(54,045)	0	(556,475)
Total Accumulated Depreciation	(6,252,912)	(805,132)	0	(7,058,044)
Total Depreciable Capital Assets, Net	20,254,255	(805,132)	0	19,449,123
Governmental Capital Assets, Net	\$20,503,205	(\$805,132)	\$0	\$19,698,073

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$420,522
Special	53,831
Vocational	17,944
Support Services:	
Pupil	29,906
Instructional Staff	19,044
Administration	53,831
Fiscal	17,944
Operation of Maintenance and Plant	31,502
Pupil Transportation	97,708
Extracurricular	12,055
Food Service Operations	50,845
Total Depreciation Expense	<u>\$805,132</u>

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 11- RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004 the School District contracted with Ohio School Insurance Program for property and inland marine coverage, general liability, and for fleet insurance. Ohio School Insurance Program Coverage's provided by Selective Insurance Company of South Carolina are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$35,427,771
Automotive Liability (\$500 deductible)	2,000,000
Uninsured Motorist (\$500 deductible)	1,000,000
Medical Payments Limit	5,000
<i>General Liability:</i>	
Each Occurrence	2,000,000
Aggregated Limit	4,000,000
Medical Payments Limit	5,000
<i>Employee Benefits Liability:</i>	
Each Occurrence (\$1,000 Deductible)	2,000,000
Aggregated Limit (\$1,000 Deductible)	4,000,000
<i>Employer's Liability:</i>	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease Limit	1,000,000
<i>Legal Liability - Errors and Omissions:</i>	
Each Wrongful Act Limit (\$5,000 Deductible)	1,000,000
Aggregate Limit (\$5,000 Deductible)	1,000,000

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 18). The plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "Equity Pooling Fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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Medical, prescription, dental and vision insurance was offered to all employees through a self-insurance internal service fund until January 1, 2004 at which time all employees were no longer offered this insurance option. Until January 1, 2004, the School District was a member of a claims servicing pool, consisting of participating schools within the OME-RESA computer consortium region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

Effective December 31, 2003, the School District no longer participated in the self insurance program. However, the District was owed stop loss reimbursements. The following table reflects changes in claims activity for fiscal year 2003 and fiscal year 2004:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2003	\$136,822	\$896,969	\$957,180	\$76,611
2004	\$76,611	\$511,655	\$588,266	\$0

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$132,438, \$129,354, and \$70,383 respectively; 40.47 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds which is then divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$635,822, \$689,548, and \$641,575 respectively; 80.00 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$10,671 made by the School District and \$10,780 made by the plan members.

### **NOTE 13 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.



## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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Retirees from the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the associated health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$45,479 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of the health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent of those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$105,695.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

#### **NOTE 14 - OTHER EMPLOYEE BENEFITS**

##### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees who work 260 days per year earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be carried over for the Superintendent, Treasurer and Assistant Treasurers, based on employment contracts. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 68  $\frac{3}{4}$  days for all employees.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**B. Other Insurance Benefits**

The School District provided life, accidental death and dismemberment and medical/surgical benefits to most employees through OME-RESA health benefits through December 31, 2003. Effective January 1, 2004 the School District elected to provide these employee benefits through the Health Plan of the Upper Ohio Valley. The cost of premiums for the coverage through the Health Plan of the Upper Ohio Valley are \$673.76 family and \$269.50 single for medical, \$156.93 family and \$62.77 single for prescription, and \$10.17 family and \$4.09 single for vision. The School District also provides dental, life insurance and accidental death and dismemberment insurance to all employees from MetLife Insurance Company. Life insurance coverage is in the amount of \$25,000 per employee. The Board pays 100 percent of the premiums for all coverage.

**NOTE 15 – FUND OBLIGATIONS**

The School District issued a \$400,000 tax anticipation note for operations at 3.00 percent on December 18, 2003. The note was fully paid on April 16, 2004. The note was issued in anticipation of tax receipts and was backed by the full faith and credit of the School District.

The School District participated in the State Solvency Assistance Program during Fiscal Year 2004, see Going Concern - Note 24 for additional information. The School District received \$1,551,000 in state operating loan proceeds at zero percent interest. The loan is to be repaid through deductions in the School District's state foundation receipts. The amount of the loan will be repaid through the deductions according to the following schedule:

Fiscal Year	Principal
<u>Ending June 30</u>	<u>                    </u>
2005	\$775,500
2006	<u>775,500</u>
Total	<u><u>\$1,551,000</u></u>

**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal			Principal	Amounts
	Outstanding			Outstanding	Due Within
	<u>6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/04</u>	<u>One Year</u>
General Obligation Bonds:					
2000 School Facilities Bonds \$3,267,000					
Serial/Term Bonds @ 4.3%-6.7%	\$3,130,000	\$0	\$60,000	\$3,070,000	\$70,000
Compensated Absences	<u>821,812</u>	<u>454,106</u>	<u>575,213</u>	<u>700,705</u>	<u>60,977</u>
Total General Long-Term Obligations	<u><u>\$3,951,812</u></u>	<u><u>\$454,106</u></u>	<u><u>\$635,213</u></u>	<u><u>\$3,770,705</u></u>	<u><u>\$130,977</u></u>

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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*School Facilities General Obligation Bonds* – On March 24, 2000, Barnesville Exempted Village School District issued \$3,267,000 in voted general obligation bonds for the purpose of retiring \$3,267,000 in bond anticipation notes that were issued for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities under authority of and pursuant to the general laws of the State of Ohio, particularly Chapters 133 and 3318 of the Ohio Revised Code to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a period of twenty-three years with a final maturity at December 1, 2023.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building.

The bond issue consists of serial and term bonds. The term bonds that mature in the year 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2021	\$275,000

Unless otherwise called for redemption, the remaining \$295,000 principal amount of the Bonds due December 31, 2021 is to be paid at stated maturity.

The bonds maturing on December 1 in each of the years 2000 through 2015 are not subject to optional call for redemption prior to their respective maturity dates.

The bonds maturing on December 1, 2016 and thereafter are subject to optional redemption, in whole or in part on any date and by lot within a maturity, at the option of the School District on or after December 1, 2010 as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	101 percent
December 1, 2011 and thereafter	100 percent

If fewer than all of the outstanding bonds of a single maturity are called for redemption, the selection of the bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar in any manner which the Paying Agent and Registrar may determine.

Compensated absences will be paid from the General, Miscellaneous State Grants, Miscellaneous Federal Grants, Title I and Food Service Funds.

The School District's voted legal debt margin was \$4,928,472, with an unvoted debt margin of \$86,163, at June 30, 2004.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2004 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$70,000	\$177,308	\$247,308
2006	75,000	173,718	248,718
2007	75,000	169,949	244,949
2008	95,000	165,633	260,633
2009	100,000	160,610	260,610
2010-2014	635,000	704,615	1,339,615
2015-2019	955,000	456,336	1,411,336
2020-2024	1,065,000	128,236	1,193,236
Total	<u>\$3,070,000</u>	<u>\$2,136,405</u>	<u>\$5,206,405</u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA participants consist of school districts and county educational service centers. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2004, the total amount paid to OME-RESA from the School District was \$32,046. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Karen Blake, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*East Central Ohio Special Education Regional Resource Center (ECO-SERRC)* - The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECO-SERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECO-SERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECO-SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 834 E. High Avenue, New Philadelphia, Ohio 44663-3052.

*Belmont-Harrison Vocational School* - The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Place, St. Clairsville, Ohio 43950.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 18 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Claims Servicing Pool**

*Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent. Effective January 1, 2004, the School District no longer participated in this claims servicing pool.

**NOTE 19 - RELATED ORGANIZATION**

*Barnesville Hutton Memorial Library* - The Barnesville Hutton Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Barnesville Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Barnesville Hutton Memorial Library, Brenda G. Brown, Clerk, at East Main Street, Barnesville, Ohio 43713.

**NOTE 20 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula 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 future years.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. In prior years the School District expended the budget reserve amount pursuant to State Statute, and as a result no budget reserve exists at June 30, 2004.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0
Current Year Set-aside Requirement	188,468	188,468
Current Year Offsets	0	(40,388)
Qualifying Disbursements	<u>(96,302)</u>	<u>(142,850)</u>
Fiscal Year 2004 Totals	<u>\$92,166</u>	<u>\$5,230</u>
Allowable Carry Forward for Fiscal Year 2004	0	0
Allowable Carry Forward at June 30, 2003	(208,853)	(3,170,939)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$116,687)</u>	<u>(\$3,165,709)</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>

The School District met the total requirements during the fiscal year 2004 for both of the set-asides. The School District had qualifying disbursements and prior year carry over balance during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The School District had current year offsets, qualifying disbursements and prior year carry over balance during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The School District also had current year and prior year capital expenditures in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**NOTE 21 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**B. 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 22 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**NOTE 23 – SUBSEQUENT EVENT**

Effective January 1, 2004, the School District no longer participated in a self-insured health benefits program, but had \$80,000 of stop-loss reimbursements outstanding. The School District received this reimbursement in October, 2004. The reimbursement was used to satisfy the outstanding interfund loan from the General Fund. As of the date of this report, the Internal Service Fund has a zero balance and is no longer active.

**NOTE 24 – GOING CONCERN**

The School District was placed in Fiscal Emergency on December 18, 2003. Upon declaration of Fiscal Emergency in a School District, a financial planning and supervision commission (the Commission) was established to govern the School District. Events that have occurred since being placed in fiscal emergency:

- (1) During the fiscal year 2004, the School District received a loan in the amount of \$1,551,000 from the State Solvency Fund.
- (2) On December 12, 2003, the Board of Education approved a wage freeze on the following positions until the School District is released from fiscal emergency: Treasurer, Superintendent, Special Education/Federal Programs Coordinator, Building and Grounds Supervisor, High School Principal, Middle School Principal and Elementary School Principal.
- (3) On April 8, 2004, the School District adopted the Financial Planning and Supervision Commission's Financial Recovery Plan and Resolution #05-04 which further discussed the reduction of one administrative, 18 certified, 16.5 classified positions in addition to 63 supplemental contracts and nine extended service contracts for fiscal year 2005, with a projected cost savings of \$1,708,375. Also discussed is the strategy the School District would take to implement several cost savings measures.

In addition to the School District being in Fiscal Emergency, the following conditions or events are of concern:

- The School District failed to pass an income tax levy on November 2, 2004.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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- The School District approved a one-year extension of the labor agreement with both the classified and teacher's union. This agreement froze the salary schedules but still allowed step raises. In addition, the contract extension allowed the School District to change their health insurance to an HMO, resulting in a monthly savings for premium costs. Then, on January 1, 2004, all employees had to change their health insurance as the School District did not have Self-Funded Insurance.
- The School District has outstanding general obligation bond debt of \$3,070,000. In addition, the School District received in fiscal year 2004, an advance from the School Solvency Assistance Fund in the amount of \$1,551,000 which was interest free and must be paid back within two years.



**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed-Through State Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	NA	\$	\$29,515	\$	\$29,515
School Breakfast Program	10.553	045203-05-PU-03	13,164	0	13,164	0
		045203-05-PU-04	32,049	0	32,049	0
Total School Breakfast Program			45,213	0	45,213	0
National School Lunch Program	10.555	045203-LL-P4-03	35,228	0	35,228	0
	10.555	045203-LL-P4-04	101,929	0	101,929	0
Total National School Lunch Program			137,157	0	137,157	0
Total United State Department of Agriculture - Nutrition Cluster			182,370	29,515	182,370	29,515
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>						
<i>Passed-Through Ohio Emergency Management Agency:</i>						
Public Assistance Program	97.036	FEMA-1453-DR-013-05982	2,445	0	0	0
Total United States Department of Homeland Security			2,445	0	0	0
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed-Through State Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	045203-C1-S1-03	(3,445)	0	8,701	0
	84.010	045203-C1-S1-04	388,134	0	436,553	0
Total Title Grants to Local Educational Agencies			384,689	0	445,254	0
Special Education, Grants to States	84.027	045203-6B-SF-02P	(14,924)	0	0	0
	84.027	045203-6B-SF-03P	51,697	0	55,840	0
	84.027	045203-6B-SF-04	234,462	0	210,491	0
Total Special Education, Grants to States			271,235	0	266,331	0
Safe and Drug-Free Schools and Communities, State Grants	84.186	045203-DR-S1-02	(1,429)	0	0	0
	84.186	045203-DR-S1-03	(1,783)	0	0	0
	84.186	045203-DR-S1-03	10,180	0	5,297	0
Total Safe and Drug-Free Schools and Communities, State Grants			6,968	0	5,297	0
Goals 2000 Educate America Act - Title III	84.276	045203-G2-SP-01	(111)	0	0	0
Innovative Education Program Strategies	84.298	045203-C2-S1-03	2,174	0	(927)	0
	84.298	045203-C2-S1-04	7,162	0	5,696	0
Total Innovative Education Program Strategies			9,336	0	4,769	0
Education Technology State Grants	84.318	045203-TJ-S1-03	(1,666)	0	0	0
	84.318	045203-TJ-S1-04	8,289	0	4,486	0
Total Education Technology State Grants			6,623	0	4,486	0
Improving Teacher Quality State Grants	84.367	045203-CR-S1-03	(6,060)	0	6,514	0
	84.367	045203-CR-S1-04	200,731	0	173,668	0
Total Improving Teacher Quality State Grants			194,671	0	180,182	0
Total United States Department of Education			873,411	0	906,319	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$1,058,226</b>	<b>\$29,515</b>	<b>\$1,088,689</b>	<b>\$29,515</b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.*

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - REFUNDS**

During fiscal year 2004, the School District refunded grant award receipts to the Ohio Department of Education (ODE) after the expiration of the period of availability. The unobligated monies at the end of the grant period were refunded as follows:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Refunded Amount</u>
84.027	045203-6B-SF-02P	\$14,924
84.027	045203-6B-SF-03P	1,580
84.276	045203-G2-SP-01	111
Total		<u>\$16,615</u>

**NOTE D - TRANSFERS**

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfer due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.010	045203-C1-S1-03		\$3,445
84.010	045203-C1-S1-04	\$3,445	
84.027	045203-6B-SF-03-P		18,667
84.027	045203-6B-SF-04	18,667	
84.186	045203-DR-S1-03		3,212
84.186	045203-DR-S1-04	3,212	
84.318	045203-TJ-S1-03		1,666
84.318	045203-TJ-S1-04	1,666	
84.367	045203-TR-S1-03		6,060
84.367	045203-TR-S1-04	6,060	
Total		<u>\$33,050</u>	<u>\$33,050</u>

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**NOTE E – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS**

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the School District previously received from other Federal agencies. The accompanying Schedule of Federal Awards Receipts and Expenditures reports all such 2004 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirements of these programs has not changed. In 2003 the School District received a Public Assistance Grant, CFDA #83.544, from the Federal Emergency Management Agency. This Grant is reported in 2004 as Public Assistance Grant, CFDA # 97.036, from the U.S. Department of Homeland Security.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Barnesville Exempted Village School District  
Belmont County  
210 W. Church Street  
Barnesville, Ohio 43713

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Barnesville Exempted Village School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 18, 2005, wherein we noted the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated April 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the School District's management dated April 18, 2005, we reported another matter related to noncompliance we deemed immaterial.

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Barnesville Exempted Village School District  
Belmont County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 18, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Barnesville Exempted Village School District  
Belmont County  
210 W. Church Street  
Barnesville, Ohio 43713

To the Board of Education:

#### Compliance

We have audited the compliance of the Barnesville Exempted Village School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply each of its major federal programs for the year ended June 30, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

#### Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Barnesville Exempted Village School District  
Belmont County  
Independent Accountants' Report on Compliance with Requirements Applicable  
to Major Federal Programs and Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we have reported to the School District's management in a separate letter dated April 18, 2005.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 18, 2005



**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education, Grants to States, CFDA #84.027; Improving Teacher Quality State Grants, CFDA #84.367
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Rev. Code 5705.10 states that money paid into any fund shall be used for the purposes for which such fund was established. As a result, a deficit fund balance indicates that money from another fund or funds was used to pay the obligations of the fund or funds carrying the deficit balances.

As of April 30, 2004, the Food Service, Self-Insurance and Disadvantaged Pupil Impact Aid Funds reflected deficit cash fund balances of \$34,173, \$519,365 and \$68,902, respectively.

As of October 31, 2003, the General, Food Service, Self-Insurance, Title I, and Title V Funds reflected deficit cash fund balances of \$216,524, \$46,104, \$323,225, \$22,963 and \$3,122, respectively.

We recommend the School District Treasurer monitor fund balances to ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District should consult with its legal counsel and review Auditor of State Audit Bulletin 1997-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 SECTION .315 (b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b></u>
2003-001	Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated revenue.	No	Partially corrected; repeated in Management Letter.
2003-002	Ohio Rev. Code Section 5705.10 states, in part, that money paid into a fund must be used for the purposes for which the fund has been established.	No	Not corrected; repeated as Finding #2004-001.
2003-003	Student Activity – Sales Potential Forms were not on file, were not accurately filled out and/or were not properly approved by authorized personnel.	No	Partially corrected; Management Letter recommendation.
2003-004	The Self-Insurance Fund had a negative fund balance which could indicate that participating funds were not charged their proportionate share of the costs.	Yes	Fully corrected.

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 SECTION .315 (c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	Management will review cash balances to ensure that negative fund balances are corrected.	June 30, 2005	Timothy Pickana, Treasurer



**Auditor of State  
Betty Montgomery**

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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  
MAY 10, 2005**