



**Auditor of State  
Betty Montgomery**



**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

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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, 2005, 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 the 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 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, 2005, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2006, 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 of 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting 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.

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

**Betty Montgomery**  
Auditor of State

March 15, 2006

## **Barnesville Exempted Village School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

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, 2005. 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 2005 are as follows:

- Net assets of governmental activities increased \$745,556 from fiscal year 2004.
- General revenues accounted for \$8,005,933 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,648,677 or 25 percent of total revenues of \$10,654,610.
- Total assets of governmental activities decreased \$242,243 primarily due to depreciation expense, which is offset by increased cash and cash equivalents and an increase in taxes receivable.
- The School District had \$9,909,054 in expenses related to governmental activities; only \$2,648,677 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$8,005,933 were adequate to provide for these programs.
- The School District has two major funds, the General Fund and Debt Service Fund. The General Fund had \$8,382,880 in revenues and \$7,107,764 in expenditures. The General Fund's balance increased \$1,275,116. The Debt Service Fund had \$286,882 in revenues and \$252,919 in expenditures. The Debt Service Fund's balance increased \$33,963.

### **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, 2005

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 2005?" 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, the School District's activities are considered to be all 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 reports 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 and Debt Service 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, 2005  
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 fiscal year 2005 compared to fiscal year 2004.

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

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current and Other Assets	\$4,863,802	\$4,317,248
Capital Assets	18,909,276	19,698,073
<b>Total Assets</b>	<b>23,773,078</b>	<b>24,015,321</b>
<b>Liabilities</b>		
Long-Term Liabilities	3,755,426	3,770,705
Other Liabilities	4,165,135	5,137,655
<b>Total Liabilities</b>	<b>7,920,561</b>	<b>8,908,360</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	15,909,276	16,628,073
Restricted	1,025,975	832,228
Unrestricted (Deficit)	(1,082,734)	(2,353,340)
<b>Total Net Assets</b>	<b>\$15,852,517</b>	<b>\$15,106,961</b>

Total assets decreased \$242,243. Current assets increased by \$546,554 primarily due to an increase in cash and cash equivalents and taxes receivable. The decrease in capital assets was due to depreciation expense recorded for fiscal year 2005.

Total liabilities decreased \$987,799, due primarily to a decrease in accrued wages and benefits payable and the state operating loan payable, which is scheduled to be fully repaid during fiscal year 2006. Long-term liabilities also decreased during fiscal year 2005 by principal repayments.

**Barnesville Exempted Village School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2005 compared to fiscal year 2004.

**Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$624,425	\$614,117
Operating Grants and Contributions	2,007,643	1,905,428
Capital Grants and Contributions	16,609	42,980
Total Program Revenues	<u>2,648,677</u>	<u>2,562,525</u>
General Revenues		
Property Taxes	2,222,634	2,257,973
Grants and Entitlements not Restricted to Specific Programs	5,586,068	5,543,250
Others	197,231	155,250
Total General Revenues	<u>8,005,933</u>	<u>7,956,473</u>
<b>Total Revenues</b>	<u>10,654,610</u>	<u>10,518,998</u>
<b>Program Expenses</b>		
Instruction		
Regular	4,413,476	4,736,185
Special	974,301	1,505,140
Vocational	215,431	331,178
Support Services		
Pupil	536,709	560,677
Instructional Staff	284,215	516,020
Board of Education	59,993	68,434
Administration	779,385	874,843
Fiscal	301,155	322,270
Business	7,613	3,593
Operation and Maintenance of Plant	958,475	1,147,970
Pupil Transportation	591,997	627,771
Central	24,672	167,256
Operation of Non-Instructional Services	49,730	78,947
Food Service Operations	375,332	416,050
Extracurricular Activities	159,298	265,650
Interest and Fiscal Charges	177,272	184,012
<b>Total Expenses</b>	<u>9,909,054</u>	<u>11,805,996</u>
<b><i>Increase (Decrease) in Net Assets</i></b>	745,556	-1,286,998
Net Assets Beginning of Year	15,106,961	16,393,959
<b><i>Net Assets End of Year</i></b>	<u>\$15,852,517</u>	<u>\$15,106,961</u>

**Barnesville Exempted Village School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

In 2005, 21 percent of the School District's revenues were from property taxes and 52 percent were from unrestricted grants and entitlements. The District realized a slight increase in grant revenue from fiscal year 2004, although overall revenue remained relatively unchanged between the two fiscal years.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 79 percent is for regular instruction, 17 percent for special instruction, and 4 percent for vocational instruction. Instructional program expenses decreased \$969,295, or approximately 15 percent from the prior fiscal year due to the cost reduction plan.

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 for fiscal year 2005 compared to fiscal year 2004. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Instruction				
Regular	\$4,413,476	\$4,736,185	\$3,514,831	\$3,971,930
Special	974,301	1,505,140	135,674	686,198
Vocational	215,431	331,178	215,431	268,065
Support Services				
Pupil	536,709	560,677	447,098	426,822
Instructional Staff	284,215	516,020	130,974	438,743
Board of Education	59,993	68,434	59,993	68,434
Administration	779,385	874,843	670,508	734,304
Fiscal	301,155	322,270	301,155	322,270
Business	7,613	3,593	7,613	3,496
Operation and Maintenance of Plant	958,475	1,147,970	954,625	1,141,205
Pupil Transportation	591,997	627,771	556,139	598,875
Central	24,672	167,256	24,672	113,824
Operation of Non-Instructional Services	49,730	78,947	(3,300)	16,307
Food Service Operations	375,332	416,050	27,483	90,393
Extracurricular Activities	159,298	265,650	40,209	178,593
Interest and Fiscal Charges	177,272	184,012	177,272	184,012
<b>Total Expenses</b>	<b>\$9,909,054</b>	<b>\$11,805,996</b>	<b>\$7,260,377</b>	<b>\$9,243,471</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 81 percent of expenses are supported through taxes and other general revenues.

## **Barnesville Exempted Village School District**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

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### **The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had \$8,382,880 in revenues and \$7,107,764 in expenditures. The General Fund's balance increased \$1,275,116. The Debt Service Fund had \$286,882 in revenues and \$252,919 in expenditures. The Debt Service Fund's balance increased \$33,963.

### ***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 2005, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2005, the School District had \$18,909,276 invested in land, buildings, furniture, equipment and vehicles. See note 10 for more detailed information of the School District's capital assets.

#### ***Debt***

At June 30, 2005, the School District had \$3,000,000 in bonds outstanding.

See note 16 for more detailed information on the School District's debt.

#### ***Economic Factors***

The Barnesville Exempted Village School District is currently in state of fiscal emergency; however, the district has reduced its annual operating expenses by \$1,800,000 through a significant reduction in force for fiscal year 2005. As the preceding information shows, the School District experienced an increase of \$745,556 in net assets in fiscal year 2005 as opposed to showing a decrease of \$1,286,998 in the prior fiscal year. The School District relies heavily on state foundation funding and is currently repaying an advance of state foundation monies in the amount of \$1,551,000 which will be fully repaid by June 30, 2006. Although the School District has been able to significantly reduce expenditures in fiscal year 2005, they have not been able to pass a tax levy in order to provide additional revenue.

**Barnesville Exempted Village School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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**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 Matthew King, Treasurer/CFO at Barnesville Exempted Village School District, 210 W. Church Street, Barnesville, Ohio 43713.

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**Barnesville Exempted Village School District**  
*Statement of Net Assets*  
*June 30, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,063,323
Cash and Cash Equivalents with Escrow Agents	25,587
Accounts Receivable	4,527
Intergovernmental Receivable	148,225
Prepaid Items	9,284
Materials and Supplies Inventory	19,675
Property Taxes Receivable	2,593,181
Non-Depreciable Capital Assets	248,950
Depreciable Capital Assets, Net	<u>18,660,326</u>
<i>Total Assets</i>	<u>23,773,078</u>
<b>Liabilities</b>	
Accounts Payable	17,180
Accrued Wages and Benefits Payable	814,929
Intergovernmental Payable	211,494
Accrued Interest Payable	12,500
Vacation Benefits Payable	24,654
Retainage Payable	25,587
Deferred Revenue	2,283,291
State Operataing Loan Payable	775,500
Long-Term Liabilities:	
Due Within One Year	153,450
Due In More Than One Year	<u>3,601,976</u>
<i>Total Liabilities</i>	<u>7,920,561</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	15,909,276
Restricted for:	
Capital Projects	409,060
Debt Service	284,368
Other Purposes	332,547
Unrestricted (Deficit)	<u>(1,082,734)</u>
<i>Total Net Assets</i>	<u><u>\$15,852,517</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, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,413,476	\$373,020	\$525,625	\$0	(\$3,514,831)
Special	974,301	0	838,627	0	(135,674)
Vocational	215,431	0	0	0	(215,431)
Support Services:					
Pupil	536,709	0	89,611	0	(447,098)
Instructional Staff	284,215	0	153,241	0	(130,974)
Board of Education	59,993	0	0	0	(59,993)
Administration	779,385	0	108,877	0	(670,508)
Fiscal	301,155	0	0	0	(301,155)
Business	7,613	0	0	0	(7,613)
Operation and Maintenance of Plant	958,475	3,850	0	0	(954,625)
Pupil Transportation	591,997	0	19,249	16,609	(556,139)
Central	24,672	0	0	0	(24,672)
Operation of Non-Instructional Services	49,730	0	53,030	0	3,300
Food Service Operations	375,332	128,466	219,383	0	(27,483)
Extracurricular Activities	159,298	119,089	0	0	(40,209)
Interest and Fiscal Charges	177,272	0	0	0	(177,272)
<i>Total Governmental Activities</i>	<u>\$9,909,054</u>	<u>\$624,425</u>	<u>\$2,007,643</u>	<u>\$16,609</u>	<u>(7,260,377)</u>

**General Revenues**

Property Taxes Levied for General Purposes	1,943,869
Property Taxes Levied for Building Maintenance	35,630
Property Taxes Levied for Debt Service	243,135
Grants and Entitlements not Restricted to Specific Programs	5,586,068
Gifts and Donations	18,961
Investment Earnings	26,146
Miscellaneous	152,124
<i>Total General Revenues</i>	<u>8,005,933</u>
Change in Net Assets	745,556
<i>Net Assets Beginning of Year</i>	<u>15,106,961</u>
<i>Net Assets End of Year</i>	<u><u>\$15,852,517</u></u>

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2005*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$886,965	\$261,269	\$882,602	\$2,030,836
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	32,487	0	0	32,487
Cash and Cash Equivalents with Escrow Agent	0	0	25,587	25,587
Receivables:				
Property Taxes	2,269,495	281,991	41,695	2,593,181
Accounts	4,527	0	0	4,527
Intergovernmental	24,757	0	123,468	148,225
Interfund	34,888	0	0	34,888
Prepaid Items	8,484	0	800	9,284
Materials and Supplies Inventory	11,108	0	8,567	19,675
<i>Total Assets</i>	<u>\$3,272,711</u>	<u>\$543,260</u>	<u>\$1,082,719</u>	<u>\$4,898,690</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$9,279	\$0	\$7,901	\$17,180
Accrued Wages and Benefits	618,075	0	196,854	814,929
Retainage Payable	0	0	25,587	25,587
Interfund Payable	0	0	34,888	34,888
Intergovernmental Payable	168,278	0	43,216	211,494
Deferred Revenue	2,161,131	265,458	39,328	2,465,917
State Operating Loan Payable	775,500	0	0	775,500
<i>Total Liabilities</i>	<u>3,732,263</u>	<u>265,458</u>	<u>347,774</u>	<u>4,345,495</u>
<b>Fund Balances (Deficit)</b>				
Reserved for Encumbrances	88,807	0	93,754	182,561
Reserved for Property Taxes	123,998	16,533	2,367	142,898
Reserved for Bus Purchases	32,487	0	0	32,487
Unreserved, Undesignated, Reported in:				
General Fund	(704,844)	0	0	(704,844)
Special Revenue Funds	0	0	255,009	255,009
Debt Service Fund	0	261,269	0	261,269
Capital Projects Funds	0	0	383,815	383,815
<i>Total Fund Balances</i>	<u>(459,552)</u>	<u>277,802</u>	<u>734,945</u>	<u>553,195</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,272,711</u>	<u>\$543,260</u>	<u>\$1,082,719</u>	<u>\$4,898,690</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, 2005*

<b>Total Governmental Fund Balances</b>	\$553,195
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*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.	18,909,276
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Intergovernmental		15,634
Property Taxes		<u>166,992</u>

Total	182,626
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Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		3,000,000
Compensated Absences		755,426
Vacation Benefits Payable		24,654
Accrued Interest Payable		<u>12,500</u>

Total	<u>(3,792,580)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$15,852,517</u></u>
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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, 2005*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,959,939	\$245,353	\$35,202	\$2,240,494
Intergovernmental	5,925,013	37,410	1,665,704	7,628,127
Interest	14,202	4,119	7,825	26,146
Tuition and Fees	373,020	0	0	373,020
Extracurricular Activities	0	0	119,089	119,089
Rent	3,850	0	0	3,850
Contributions and Donations	0	0	18,961	18,961
Charges for Services	0	0	128,466	128,466
Miscellaneous	106,856	0	45,268	152,124
<i>Total Revenues</i>	<u>8,382,880</u>	<u>286,882</u>	<u>2,020,515</u>	<u>10,690,277</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,457,511	0	499,911	3,957,422
Special	508,425	0	433,294	941,719
Vocational	200,208	0	0	200,208
Support Services:				
Pupil	340,804	0	164,384	505,188
Instructional Staff	121,665	0	133,673	255,338
Board of Education	61,376	0	0	61,376
Administration	615,104	0	120,821	735,925
Fiscal	295,249	5,611	805	301,665
Business	7,613	0	0	7,613
Operation and Maintenance of Plant	904,878	0	45,450	950,328
Pupil Transportation	502,050	0	12,130	514,180
Central	13,554	0	10,875	24,429
Operation of Non-Instructional Services	0	0	49,730	49,730
Food Service Operations	0	0	341,430	341,430
Extracurricular Activities	79,327	0	78,024	157,351
Debt Service:				
Principal Retirement	0	70,000	0	70,000
Interest and Fiscal Charges	0	177,308	0	177,308
<i>Total Expenditures</i>	<u>7,107,764</u>	<u>252,919</u>	<u>1,890,527</u>	<u>9,251,210</u>
<i>Net Change in Fund Balances</i>	1,275,116	33,963	129,988	1,439,067
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>(1,734,668)</u>	<u>243,839</u>	<u>604,957</u>	<u>(885,872)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$459,552)</u>	<u>\$277,802</u>	<u>\$734,945</u>	<u>\$553,195</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, 2005*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$1,439,067</b>
 <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 as depreciation expense.		(788,797)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Intergovernmental	(17,807)	
Property Taxes	<u>(17,860)</u>	
Total		(35,667)
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>70,000</u>	
Total		70,000
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		36
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	114,382	
Vacation Benefits Payable	1,256	
Compensated Absences Payable	<u>(54,721)</u>	
Total		<u>60,917</u>
 <i>Changes in Net Assets of Governmental Activities</i>		 <u><u>\$745,556</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, 2005*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$8,528,288	\$8,448,288	\$1,948,919	(\$6,499,369)
Intergovernmental	0	0	5,915,890	5,915,890
Interest	0	80,000	14,202	(65,798)
Tuition and Fees	0	0	373,020	373,020
Rent	0	0	3,850	3,850
Miscellaneous	0	0	190,039	190,039
<i>Total Revenues</i>	<u>8,528,288</u>	<u>8,528,288</u>	<u>8,445,920</u>	<u>(82,368)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,097,996	5,259,655	3,525,685	1,733,970
Special	662,375	473,200	573,203	(100,003)
Vocational	265,277	190,944	237,373	(46,429)
Support Services:				
Pupils	306,323	211,385	353,495	(142,110)
Instructional Staff	303,157	211,070	149,163	61,907
Board of Education	89,329	52,419	68,169	(15,750)
Administration	548,331	384,284	630,706	(246,422)
Fiscal	229,316	164,653	299,457	(134,804)
Business	297,015	203,843	7,395	196,448
Operation and Maintenance of Plant	760,836	525,906	927,520	(401,614)
Pupil Transportation	392,991	254,647	502,000	(247,353)
Central	448,164	62,633	26,746	35,887
Extracurricular Activities	115,997	84,968	79,732	5,236
Capital Outlay	(3,000)	(3,750)	0	(3,750)
Debt Service:				
Principal Retirement	0	775,500	775,500	0
<i>Total Expenditures</i>	<u>8,514,107</u>	<u>8,851,357</u>	<u>8,156,144</u>	<u>695,213</u>
Excess of Revenues Over (Under) Expenditures	<u>14,181</u>	<u>(323,069)</u>	<u>289,776</u>	<u>612,845</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	69,000	69,000
Transfers Out	(302,500)	0	0	0
Advances Out	(153,590)	(122,840)	(34,888)	87,952
<i>Total Other Financing Sources (Uses)</i>	<u>(456,090)</u>	<u>(122,840)</u>	<u>34,112</u>	<u>156,952</u>
<i>Net Change in Fund Balance</i>	<u>(441,909)</u>	<u>(445,909)</u>	<u>323,888</u>	<u>769,797</u>
<i>Fund Balance Beginning of Year</i>	<u>355,848</u>	<u>355,848</u>	<u>355,848</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>139,161</u>	<u>139,161</u>	<u>139,161</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$53,100</u></u>	<u><u>\$49,100</u></u>	<u><u>\$818,897</u></u>	<u><u>\$769,797</u></u>

See accompanying notes to the basic financial statements

**Barnesville Exempted Village School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2005*

	<b>Private Purpose Trust Fund</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$34,491	\$57,767
<i>Total Assets</i>	34,491	\$57,767
<b>Liabilities</b>		
Due to Students	0	\$57,767
<i>Total Liabilities</i>	0	\$57,767
<b>Net Assets</b>		
Held in Trust for Scholarships	34,491	
<i>Total Net Assets</i>	\$34,491	

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, 2005*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$522
<b>Deductions</b>	
Pament in accordance with Trust agreements	1,500
<i>Change in Net Assets</i>	(978)
<i>Net Assets Beginning of Year</i>	35,469
<i>Net Assets End of Year</i>	\$34,491

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, 2005*

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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 statute and federal guidelines. This Board controls the School District's 4 instructional/support facilities staffed by 45 non-certified employees, 86 certificated full time teaching personnel and 7 administrative employees to provide services to approximately 1,220 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 operated 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.

#### *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, 2005*

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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, four of which are defined as jointly governed organizations, one which is defined as an insurance purchasing pool and one which is defined as a related organization. These organizations are the Ohio Mid-Eastern Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), the East Central Ohio Special Education Regional Resource Center (ECO-SERRC), the Belmont-Harrison Vocational School District, the Ohio School Boards Association Workers' Compensation Group Rating 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 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, 2005*

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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. 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 two categories of funds: governmental 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.

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

**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 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.

### **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

## **Barnesville Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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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.

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 grants 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, 2005, but which were levied to finance fiscal year 2006 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.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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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."

During fiscal year 2005, the School District had no investments.

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 2005 amounted to \$14,202, which includes \$1,988 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

**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 externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or 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.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**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. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition 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. 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

**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. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**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 and compensated absences that are 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 are recognized as a liability on the governmental fund financial statements when due.

**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.

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 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 the maintenance of classroom facilities, local resources to be used for student programs, and state and federal grants restricted to expenditures for specified purposes. The government-wide statement of net assets reports \$1,025,975 of restricted net assets. Of the restricted net assets, \$357,031 has resulted from enabling legislation.

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

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**P. 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.

**Q. 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.

**R. 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.

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 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENTS**

**Change in Accounting Principles** For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 "Deposits and Investments" for the required disclosures.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The effect of the implementation of this technical bulletin had no material effect on fund balances and net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

In prior years, the Classroom Facilities Capital Project Fund had been reported as a major fund. During fiscal year 2005, the Classroom Facilities Capital Project Fund will be presented as a nonmajor fund. The prior year fund balance is presented as a reconciling item in the table below for comparability between years.

	General	Debt Service	Classroom Facilities	Other Governmental	Total Governmental Funds
Fund Balances, June 30, 2004	(\$1,734,668)	\$243,839	\$403,576	\$201,381	(\$885,872)
Classroom Facilities Fund					
Nonmajor at June 30, 2005	0	0	(403,576)	403,576	0
Restated Fund					
Balances, June 30, 2004	(\$1,734,668)	\$243,839	\$0	\$604,957	(\$885,872)

**NOTE 4 – ACCOUNTABILITY**

**A. Accountability**

**Fund Deficits**

At June 30, 2005, the following funds had deficit fund balances:

General Fund	\$459,552
Other Governmental-Misc Federal Grant Fund	\$22,644

As mentioned in Note 1, the School District was placed in “Fiscal Emergency” due to the School District’s declining financial condition and in prior years the School District received a \$1,551,000 advance on its state foundation monies, of which \$775,500 is still outstanding. The deficit in the General Fund and Miscellaneous Federal Grant Fund were created 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.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**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 presented for the 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) as opposed to balance sheet transactions (GAAP basis).
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:

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,275,116
Revenue Accruals	63,040
Advance In	69,000
Expenditure Accruals	(172,325)
Debt Service Principal Retirement	(775,500)
Advances Out	(34,888)
Encumbrances	<u>(100,555)</u>
Budget Basis	<u><u>\$323,888</u></u>

**NOTE 6 - CASH AND CASH EQUIVALENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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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 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,223,931 of the School District's bank balance of \$2,323,931 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**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 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 2005 represents collections of 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2002, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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, 2005, are available to finance fiscal year 2005 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, 2005 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

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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.

The amount available as an advance at June 30, 2005 was \$123,998 in the General Fund, \$16,533 in the Debt Service Fund, and \$2,367 in the Classroom Facilities Special Revenue Fund. 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.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$75,168,510	88.65%	\$76,476,530	87.93%
Public Utility Personal	5,290,750	6.24%	5,348,340	6.15%
Tangible Personal	4,337,720	5.11%	5,146,560	5.92%
	\$84,796,980	100.00%	\$86,971,430	100.00%
Tax Rate per \$1,000 of assessed valuation		\$46.10		\$46.10

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, intergovernmental, and accounts (rent, student fees and tuition). 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:

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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	<u>Amounts</u>
<b>Governmental Activities</b>	
Career Technology	\$985
Student Intervention	7,263
Title I	65,071
IDEA Part B	5,550
Excess Costs	24,757
Title VI	7,246
Title IIA	20,404
Title IID	2,926
Drug Free School	14,023
Total	<u><u>\$148,225</u></u>

**NOTE 9 – INTERNAL BALANCES**

Interfund balances at June 30, 2005 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Governmental Funds	<u><u>\$34,888</u></u>

The interfund receivable in the General Fund is for the loan to the Miscellaneous State Grants Special Revenue Fund and the Miscellaneous Federal Grants Special Revenue Fund to support the programs until the federal grant monies are received.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
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	(279,228)	(35,146)	0	(314,374)
Buildings and Improvements	(5,787,516)	(668,693)	0	(6,456,209)
Furniture and Equipment	(434,825)	(33,927)	0	(468,752)
Vehicles	(556,475)	(51,031)	0	(607,506)
Total Accumulated Depreciation	(7,058,044)	(788,797)	0	(7,846,841)
Total Depreciable Capital Assets, Net	19,449,123	(788,797)	0	18,660,326
Governmental Capital Assets, Net	\$19,698,073	(\$788,797)	\$0	\$18,909,276

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$413,428
Special	52,792
Vocational	17,597
Support Services:	
Pupil	29,329
Instructional Staff	18,697
Administration	52,792
Fiscal	17,597
Operation of Maintenance and Plant	30,906
Pupil Transportation	93,851
Extracurricular	11,772
Food Service Operations	50,036
Total Depreciation Expense	<u>\$788,797</u>

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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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 2005 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 Occurance	2,000,000
Aggregated Limit	4,000,000
Medical Payments Limit	5,000
<i>Employee Benefits Liability:</i>	
Each Occurance	2,000,000
Aggregated Limit	4,000,000
<i>Employer's Liability:</i>	
Each Occurance	1,000,000
Disease - Each Employee	1,000,000
Disease - Limit	1,000,000
<i>Legal Liability - Errors and Omission:</i>	
Each Wrongful Act	1,000,000
Aggregate Limit	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 2005, 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, 2005*

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**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 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 Broad Street, Suite 100, Columbus, Ohio 43215-3476 or 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004 and 2003 were \$99,727, \$132,438, and \$129,354 respectively; 38.4 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**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).

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 times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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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, 2005, 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, 2005, 2004, and 2003 were \$531,698, \$635,822, and \$689,548 respectively; 76.8 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$4,255 made by the School District and \$4,172 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 (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare 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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$35,631 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$48,782 to fund health care benefits, including the surcharge.

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. Expenses for health care at June 30, 2004, (the latest information available) 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 and Board of Education approval. 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.

**B. Other Insurance Benefits**

The School District provided life, accidental death and dismemberment and medical/surgical benefits to most employees 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 \$772.59 family and \$309.04 single for medical, \$198.84 family and \$79.54 single for prescription, and \$10.17 family and \$4.09 single for vision. The School District also provides dental and 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 OBLIGATION**

The School District participated in the State Solvency Assistance Program during Fiscal Year 2005. During fiscal year 2004, the 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. During Fiscal Year 2005, the School District made \$775,500 of principal repayments, and the outstanding balance of the loan at June 30, 2005 is \$775,500 which is scheduled to be fully repaid during Fiscal Year 2006.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
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**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/04	Additions	Deductions	Principal Outstanding 6/30/05	Amounts Due Within One Year
General Obligation Bonds:					
2000 School Facilities Bonds \$3,267,000					
Serial/Term Bonds @ 4.3%-6.7%	\$3,070,000	\$0	\$70,000	\$3,000,000	\$75,000
Compensated Absences	700,705	274,938	220,217	755,426	78,450
Total General Long-Term Obligations	<u>\$3,770,705</u>	<u>\$274,938</u>	<u>\$290,217</u>	<u>\$3,755,426</u>	<u>\$153,450</u>

*School Facilities General Obligation Bonds* – On March 24, 2000, Barnesville Exempted Village School District issued \$3,267,000 in voted general obligation bonds. The bonds were issued for the purpose of retiring \$3,267,000 in bond anticipation notes. The notes 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

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements  
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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 \$5,105,231, with an unvoted debt margin of \$86,971, at June 30, 2005.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$75,000	\$173,717	\$248,717
2007	75,000	169,949	244,949
2008	95,000	165,633	260,633
2009	100,000	160,610	260,610
2010	105,000	155,254	260,254
2011-2015	690,000	663,372	1,353,372
2016-2020	1,035,000	396,979	1,431,979
2021-2024	825,000	73,584	898,584
Total	<u>\$3,000,000</u>	<u>\$1,959,098</u>	<u>\$4,959,098</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 district's 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 2005, the total amount paid to OME-RESA from the School District was \$37,731. 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 43952-1349.

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of seventeen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school

## **Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2005.

*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 District* - The Belmont-Harrison Vocational School District 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 District, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Place, St. Clairsville, Ohio 43950.

### **NOTE 18 – PUBLIC ENTITY POOLS**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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.

### **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 AND FUND RESERVES**

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, 2005*

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the 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 Board of Education authorized the expenditure of the budget reserve amount pursuant to State Statute, and as a result no budget reserve exists at June 30, 2005.

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for School District's that are declared to be in Fiscal Emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether. The Barnesville Exempted Village School District has been declared in fiscal emergency and has elected not to fund the set-aside requirement for either the textbook or capital improvement set-aside for fiscal year 2005.

The following cash basis information demonstrates the amount of carry-forwards from prior years that will continue to be carried forward until the School District is required to fund the set-asides at some point in the future.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0
Current Year Set-aside Requirement	187,528	187,528
Legislative Reduction	<u>(187,528)</u>	<u>(187,528)</u>
Fiscal Year 2005 Totals	<u>\$0</u>	<u>\$0</u>
Prior Year Carry Forward at June 30, 2005	(116,687)	(3,165,709)
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, 2005	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements in prior fiscal years 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 also had prior year capital expenditures in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**Barnesville Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**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, 2005.

**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 – SUBSEQUENT EVENT**

On November 29, 2005, the School District Board of Education authorized a Joint Defense and Confidentiality Agreement with the Ohio School Facilities Commission, the “Commission”, for the finalization of the Classroom Facilities Assistance Program Project due to contract disputes on the project. The agreement authorizes the Commission to provide funding in the amount of \$160,788 in order to finalize the project. At the point the work is complete the project will be closed out.

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	NA	10.550	\$0	\$17,121	\$0	\$17,121
School Breakfast Program	045203-05-PU-04	10.553	17,572	0	17,572	0
	045203-05-PU-05	10.553	<u>53,336</u>	<u>0</u>	<u>53,336</u>	<u>0</u>
Total School Breakfast Program			70,908	0	70,908	0
National School Lunch Program	045203-LL-P4-04	10.555	41,116	0	41,116	0
	045203-LL-P4-05	10.555	<u>120,515</u>	<u>0</u>	<u>120,515</u>	<u>0</u>
Total National School Lunch Program			<u>161,631</u>	<u>0</u>	<u>161,631</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			232,539	17,121	232,539	17,121
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045203-C1-S1-04	84.010	69,000	0	20,582	0
	045203-C1-S1-05	84.010	<u>493,204</u>	<u>0</u>	<u>423,321</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			562,204	0	443,903	0
Special Education, Grants to States	045203-6B-SF-04	84.027	(5,550)	0	18,421	0
	045203-6B-SF-05	84.027	<u>323,777</u>	<u>0</u>	<u>317,115</u>	<u>0</u>
Total Special Education, Grants to States			318,227	0	335,536	0
Safe and Drug-Free Schools and Communities, State Grants	045203-DR-S1-04	84.186	(4,882)	0	0	0
	045203-DR-S1-05	84.186	<u>9,499</u>	<u>0</u>	<u>8,135</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities, State Grants			4,617	0	8,135	0
Innovative Education Program Strategies	045203-C2-S1-04	84.298	(1,226)	0	2,413	0
	045203-C2-S1-05	84.298	<u>6,123</u>	<u>0</u>	<u>12,201</u>	<u>0</u>
Total Innovative Programs, Title V			4,897	0	14,614	0
Education Technology State Grants	045203-TJ-S1-04	84.318	(3,767)	0	35	0
	045203-TJ-S1-05	84.318	<u>6,544</u>	<u>0</u>	<u>3,286</u>	<u>0</u>
Total Education Technology State Grants			2,777	0	3,321	0
Improving Teacher Quality State Grants	045203-TR-S1-04	84.367	(22,890)	0	4,172	0
	045203-TR-S1-05	84.367	<u>101,990</u>	<u>0</u>	<u>113,749</u>	<u>0</u>
Total Improving Teacher Quality State Grants			79,100	0	117,921	0
Total U.S. Department of Education			971,822	0	923,430	0
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$1,204,361</b></u>	<u><b>\$17,121</b></u>	<u><b>\$1,155,969</b></u>	<u><b>\$17,121</b></u>

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

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity 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 - 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>
84.027	045203-6B-SF-04	\$	\$5,550
84.027	045203-6B-SF-05	5,550	
84.186	045203-DR-S1-04		4,882
84.186	045203-DR-S1-05	4,882	
84.298	045203-C2-S1-04		1,226
84.298	045203-C2-S1-05	1,226	
84.318	045203-TJ-S1-04		3,767
84.318	045203-TJ-S1-05	3,767	
84.367	045203-TR-S1-04		22,890
84.367	045203-TR-S1-05	22,890	
Total		<u>\$38,315</u>	<u>\$38,315</u>



**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, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2006. 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 in order to express our opinions on the basic 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 to be material weaknesses. In a separate letter to the School District's management dated March 15, 2006, 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 basic 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated March 15, 2006, we reported an other matter related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

March 15, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. 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 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 apply to its major federal program for the year ended June 30, 2005.

#### 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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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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.

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

March 15, 2006

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<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>	No
<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
<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, 2005  
(Continued)**

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

None

**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, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <b>Explain:</b>
2004-001	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 in Management Letter.
2004-002	Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated revenue.	Yes	Fully Corrected.





**Auditor of State  
Betty Montgomery**

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

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2006**