



Dave Yost • Auditor of State

VILLAGE OF BARNESVILLE
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Finding	20

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Barnesville
Belmont County
132 North Arch Street
P.O. Box 190
Barnesville, Ohio 43713

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Barnesville, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Barnesville, Belmont County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2013, on our consideration of the Village'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 9, 2013

VILLAGE OF BARNESVILLE
BELMONT COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$122,464	\$30,821			\$153,285
Municipal Income Tax		672,605			672,605
Intergovernmental	162,696	200,578		\$322,549	685,823
Charges for Services		447,254			447,254
Fines, Licenses and Permits	61,449	629			62,078
Earnings on Investments	80,534	17,733			98,267
Miscellaneous	26,295	24,750		17,581	68,626
<i>Total Cash Receipts</i>	<u>453,438</u>	<u>1,394,370</u>	<u>\$0</u>	<u>340,130</u>	<u>2,187,938</u>
Cash Disbursements					
Current:					
Security of Persons and Property	508,443	256,376			764,819
Public Health Services	17,426	62,824			80,250
Leisure Time Activities	14,011	164,682			178,693
Transportation	42,828	272,326			315,154
General Government	135,411	59,917			195,328
Capital Outlay		59,223		468,523	527,746
Debt Service:					
Principal Retirement			336,356		336,356
Interest and Fiscal Charges			71,530		71,530
<i>Total Cash Disbursements</i>	<u>718,119</u>	<u>875,348</u>	<u>407,886</u>	<u>468,523</u>	<u>2,469,876</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(264,681)</u>	<u>519,022</u>	<u>(407,886)</u>	<u>(128,393)</u>	<u>(281,938)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				28,271	28,271
Transfers In	85,000	385,809	427,649	140,000	1,038,458
Transfers Out		(686,024)		(55,995)	(742,019)
Other Financing Sources	4,897,276	140			4,897,416
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,982,276</u>	<u>(300,075)</u>	<u>427,649</u>	<u>112,276</u>	<u>5,222,126</u>
<i>Net Change in Fund Cash Balances</i>	4,717,595	218,947	19,763	(16,117)	4,940,188
<i>Fund Cash Balances, January 1</i>	<u>186,140</u>	<u>1,467,801</u>	<u>107</u>	<u>322,323</u>	<u>1,976,371</u>
Fund Cash Balances, December 31					
Restricted		555,355	19,870	306,206	881,431
Committed		1,190,616			1,190,616
Assigned	6,376				6,376
Unassigned (Deficit)	4,897,359	(59,223)			4,838,136
<i>Fund Cash Balances, December 31</i>	<u>\$4,903,735</u>	<u>\$1,686,748</u>	<u>\$19,870</u>	<u>\$306,206</u>	<u>\$6,916,559</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,864,665
Fines, Licenses and Permits	11,917
Miscellaneous	260
	1,876,842
<i>Total Operating Cash Receipts</i>	<i>1,876,842</i>
Operating Cash Disbursements	
Personal Services	664,595
Contractual Services	339,942
Supplies and Materials	465,797
Capital Outlay	7,050
	1,477,384
<i>Total Operating Cash Disbursements</i>	<i>1,477,384</i>
<i>Operating Income</i>	<i>399,458</i>
Non-Operating Receipts (Disbursements)	
Other Financing Sources	41,079
Other Financing Uses	(500,000)
	(458,921)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(458,921)</i>
<i>(Loss) before Transfers</i>	<i>(59,463)</i>
Transfers In	55,995
Transfers Out	(352,435)
	(355,903)
<i>Net Change in Fund Cash Balances</i>	<i>(355,903)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,777,253</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,421,350</i>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BARNESVILLE
BELMONT COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$120,352	\$30,511			\$150,863
Municipal Income Tax		666,846			666,846
Intergovernmental	251,629	211,215		\$671,336	1,134,180
Charges for Services	750	291,678			292,428
Fines, Licenses and Permits	31,051				31,051
Earnings on Investments	111,180	2,637			113,817
Miscellaneous	12,079	24,494		6,753	43,326
<i>Total Cash Receipts</i>	<u>527,041</u>	<u>1,227,381</u>	<u>\$0</u>	<u>678,089</u>	<u>2,432,511</u>
Cash Disbursements					
Current:					
Security of Persons and Property	484,447	193,488			677,935
Public Health Services	16,854	66,047			82,901
Leisure Time Activities	10,583	153,635			164,218
Transportation	45,648	288,764			334,412
General Government	144,327	50,979			195,306
Capital Outlay				1,495,877	1,495,877
Debt Service:					
Principal Retirement			321,014		321,014
Interest and Fiscal Charges			76,460		76,460
<i>Total Cash Disbursements</i>	<u>701,859</u>	<u>752,913</u>	<u>397,474</u>	<u>1,495,877</u>	<u>3,348,123</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(174,818)</u>	<u>474,468</u>	<u>(397,474)</u>	<u>(817,788)</u>	<u>(915,612)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				629,036	629,036
Sale of Capital Assets				11,507	11,507
Transfers In	123,000	282,778	396,338	154,200	956,316
Transfers Out		(566,168)			(566,168)
Other Financing Sources	492	484			976
<i>Total Other Financing Receipts (Disbursements)</i>	<u>123,492</u>	<u>(282,906)</u>	<u>396,338</u>	<u>794,743</u>	<u>1,031,667</u>
<i>Net Change in Fund Cash Balances</i>	<u>(51,326)</u>	<u>191,562</u>	<u>(1,136)</u>	<u>(23,045)</u>	<u>116,055</u>
<i>Fund Cash Balances, January 1</i>	<u>237,466</u>	<u>1,276,239</u>	<u>1,243</u>	<u>345,368</u>	<u>1,860,316</u>
Fund Cash Balances, December 31					
Restricted		433,872		322,323	756,195
Committed		1,033,929			1,033,929
Assigned	1,262				1,262
Unassigned (Deficit)	184,878		107		184,985
<i>Fund Cash Balances, December 31</i>	<u>\$186,140</u>	<u>\$1,467,801</u>	<u>\$107</u>	<u>\$322,323</u>	<u>\$1,976,371</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,814,637
Fines, Licenses and Permits	8,982
Miscellaneous	4,285
	1,827,904
<i>Total Operating Cash Receipts</i>	<i>1,827,904</i>
Operating Cash Disbursements	
Personal Services	646,557
Contractual Services	350,107
Supplies and Materials	321,883
Capital Outlay	35,880
	1,354,427
<i>Total Operating Cash Disbursements</i>	<i>1,354,427</i>
<i>Operating Income</i>	<i>473,477</i>
Non-Operating Receipts	
Other Financing Sources	816
	816
<i>Total Non-Operating Receipts</i>	<i>816</i>
<i>Income before Transfers</i>	<i>474,293</i>
Transfers Out	(386,020)
<i>Net Change in Fund Cash Balances</i>	<i>88,273</i>
<i>Fund Cash Balances, January 1</i>	<i>1,688,980</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,777,253</i>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Barnesville, Belmont County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, EMS services and police services. The Village contracts with the Barnesville Volunteer Fire Department to receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit, U.S. Treasury Notes and common stock at cost or fair value when donated. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Income Tax Fund – This fund receives income tax money and distributes net collections for the operation of the Village and for capital improvements.

Park and Recreation Fund – This fund receives pool admissions, concession receipts, donations and distributions of Village income tax collections to be used for the maintenance and upkeep of the Village park and pool.

Emergency Medical Services Fund – This fund receives charges for services from residents to provide emergency medical services.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Ohio Water Development Authority (OWDA) Note Fund – This fund receives sewer revenue money to make principal and interest payments towards an OWDA loan for waste water treatment plant sludge improvement.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Capital Improvement Fund – This fund receives grant funding from state and federal agencies and a mandated percentage from income tax collections for various Village capital improvements.

Sanitary Sewer Rehab Fund – This fund receives grant funding and loans from the Ohio Public Works Commission (OPWC) for sanitary sewer rehabilitation.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2012	2011
Demand deposits	\$5,373,467	\$489,184
Certificates of deposit	1,984,525	2,084,525
Total deposits	7,357,992	2,573,709
Municipal Bonds	606,550	606,550
Federal Home Loan Bank	100,000	200,000
Federal National Mortgage Association	250,000	350,000
Star Ohio	2,021	2,019
Donated Common Stock (at historical cost)	21,346	21,346
Total investments	979,917	1,179,915
Total deposits and investments	\$8,337,909	\$3,753,624

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: An investment firm holds the Village's equity securities in book-entry form in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Donated stocks are valued at the value at the time of donation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011, follows:

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$630,280	\$5,435,714	\$4,805,434
Special Revenue	1,519,795	1,780,319	260,524
Debt Service	427,949	427,649	(300)
Capital Projects	482,149	508,401	26,252
Enterprise	1,830,150	1,973,916	143,766
Total	\$4,890,323	\$10,125,999	\$5,235,676

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$812,289	\$718,119	\$94,170
Special Revenue	1,738,825	1,558,748	180,077
Debt Service	407,899	407,886	13
Capital Projects	611,800	524,518	87,282
Enterprise	2,726,862	2,329,819	397,043
Total	\$6,297,675	\$5,539,090	\$758,585

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$598,135	\$650,533	\$52,398
Special Revenue	1,421,617	1,510,643	89,026
Debt Service	361,549	396,338	34,789
Capital Projects	1,530,285	1,472,832	(57,453)
Enterprise	1,823,775	1,828,720	4,945
Total	\$5,735,361	\$5,859,066	\$123,705

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$819,627	\$701,859	\$117,768
Special Revenue	1,493,053	1,319,081	173,972
Debt Service	401,051	397,474	3,577
Capital Projects	1,728,876	1,495,877	232,999
Enterprise	2,189,955	1,743,813	446,142
Total	\$6,632,562	\$5,658,104	\$974,458

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$2,069,691	1.00-8.47%
Ohio Public Works Commission Loans	679,181	0.00-0.20%
Equipment Lease-Purchase Agreement	<u>76,094</u>	2.99%
Total	<u><u>\$2,824,966</u></u>	

The Ohio Water Development Authority (OWDA) loans relates to upgrades and improvements to the Village's water and sewer plants necessary to comply with the Ohio Environmental Protection Agency regulations. The Village will repay the loans in semiannual installments including interest, over 20 years. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relates to water and sewer improvements and Mt. Olivett road repairs. The Village will repay the loans in semiannual installments including interest, over 20 years. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

The equipment capital lease agreement relates to the financing of a ladder truck for use by the Village. The lease is payable in annual installments, with final payment due May 24, 2015. The lease is supported by the full faith and credit of the Village.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans	OPWC Loans	Capital Lease Agreement
2013	\$271,968	\$65,564	\$26,896
2014	146,694	64,000	26,896
2015	146,694	62,436	26,896
2016	146,694	62,436	
2017	146,694	62,436	
2018-2022	744,870	290,866	
2023-2027	685,575	118,845	
2028-2031	98,367	10,019	
Total	<u>\$2,387,556</u>	<u>\$736,602</u>	<u>\$80,688</u>

Conduit Debt

Ohio Hills Health Services, Inc. (Ohio Hills) wished to acquire Wesbanco Bank's former office within Barnesville for use as a medical clinic. Ohio Hills could obtain financing from Wesbanco Bank at a lower cost, provided the Village acquired the property and leased it to Ohio Hills, with the requirement Ohio Hills made all payments on the mortgage in the form of lease payments and subsequently purchase the property from the Village at the conclusion of the lease.

The Village purchased the property from Wesbanco Bank on October 25, 2006 for the sum of \$325,000 and entered into a mortgage with Wesbanco Bank for an amount of \$325,000. The mortgage is non-recourse, provided that in the event of a default, the Village shall not be liable to pay any portion of the unpaid balance.

The Village entered into a lease-purchase agreement with Ohio Hills, provided Ohio Hills shall make monthly payments in a sufficient manner to pay all payments due on the mortgage to Wesanco Bank. The lease also requires Ohio Hills to pay all taxes, insurance and maintenance of the property, and to hold the Village harmless against all claims. The lease requires Ohio Hills to purchase the building for \$1 after the Wesbanco Bank mortgage is paid in full. The outstanding balance due on the mortgage as of December 31, 2012 was \$294,683.

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees and certain elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Jointly Governed Organizations

Belmont County Regional Airport Authority (Authority) is the governing body for the Barnesville-Bradfield Airport. The Authority was created in August 2008. The original governing board is comprised of three trustees appointed by the Belmont County Commissioners and two trustees appointed by the Village of Barnesville. Hereafter, any trustee whose term expires or who resigns shall be replaced by the appointed Authority who originally appointed him or her. The Authority is not dependent upon the Village of Barnesville for its continued existence, no debt exists, and the Village does not have an equity interest in or a financial responsibility for the Authority.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Barnesville
Belmont County
132 North Arch Street
P.O. Box 190
Barnesville, Ohio 43713

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Barnesville, Belmont County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2013, wherein we noted the Village has adopted Governmental Accounting Standards Board Statement No. 54 and we also noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-01 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 9, 2013

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2012-01

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village Officer's Handbook (revised March 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always record receipts and disbursements into accurate classifications based upon the source of the receipt or purpose of the disbursement. During 2012, the Village loaned \$500,000 to the Belmont County Port Authority which was improperly classified as Supplies and Materials instead of Other Financing Uses in the Water Fund. The Village also recorded \$28,271 and \$529,036 of debt proceeds as intergovernmental receipts in 2012 and 2011, respectively, in the Wastewater Treatment Plant Improvement Fund. In addition, during 2011, the Village did not record \$100,000 of debt proceeds and capital outlay for the purchase of a ladder truck in the Capital Improvement Fund. The Village adjusted the accompanying financial statements to reflect these items.

We recommend the Village utilize available authoritative resources to appropriately classify and record all expenditure transactions.

Officials' Response: We did not receive a response from officials to this finding.

**VILLAGE OF BARNESVILLE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Section 117-2-02(A) Ohio Admin. Code for lack of supporting documentation for concession sales at the pool.	Yes	N/A.



Dave Yost • Auditor of State

VILLAGE OF BARNESVILLE

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
AUGUST 22, 2013**