

***VILLAGE OF BARNESVILLE  
BELMONT COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Barnesville  
132 North Arch Street  
Barnesville Ohio 43713

We have reviewed the *Report of Independent Accountants* of the Village of Barnesville, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Barnesville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 5, 2006

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**VILLAGE OF BARNESVILLE  
BELMONT COUNTY  
For the Years Ending December 31, 2005 and 2004**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Village Council  
Village of Barnesville  
Belmont County  
Barnesville, Ohio

We have audited the accompanying financial statements of the Village of Barnesville, Belmont County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Barnesville, Belmont County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006, 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. 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 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.

***Charles E. Harris & Associates, Inc.***

June 23, 2006

VILLAGE OF BARNESVILLE  
 BELMONT COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Fiduciary Fund Types	Total	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Receipts:						
Property Taxes and Other Local Taxes	\$ 111,915	\$ 12,607	-	-	\$ 10,589	\$ 135,111
Municipal Income Taxes	-	560,048	-	-	-	560,048
Charges for Services	12,360	252,474	-	-	-	264,834
Intergovernmental	202,932	614,230	-	\$ 350,552	1,589	1,169,303
Fines, Licenses and Permits	50,168	20,139	-	-	-	70,307
Interest	48,160	4,040	-	-	-	52,200
Other	25,258	12,791	-	3,475	-	41,524
<b>Total Receipts</b>	<b>450,793</b>	<b>1,476,329</b>	<b>-</b>	<b>354,027</b>	<b>12,178</b>	<b>2,293,327</b>
Disbursements:						
General Government	98,178	-	-	-	-	98,178
Security of Persons & Property	526,210	131,168	-	-	42,396	699,774
Community Environment	1,183	-	-	-	-	1,183
Public Health Services	12,872	47,672	-	-	-	60,544
Transportation	34,529	455,847	-	-	-	490,376
Leisure time Activities	4,582	160,135	-	-	-	164,717
Capital Outlay	-	-	-	439,204	-	439,204
Debt Service:						
Principal	-	-	\$ 352,063	-	-	352,063
Interest	-	-	86,701	-	-	86,701
<b>Total Disbursements</b>	<b>677,554</b>	<b>794,822</b>	<b>438,764</b>	<b>439,204</b>	<b>42,396</b>	<b>2,392,740</b>
Receipts over(under) disbursements	(226,761)	681,507	(438,764)	(85,177)	(30,218)	(99,413)
Other Financing Sources (Uses)						
Proceeds of Notes	-	-	87,000	36,750	-	123,750
Transfers in	247,400	101,420	298,506	98,000	27,600	772,926
Transfers out	-	(554,537)	-	-	-	(554,537)
Other Sources	2,277	3,131	462	-	-	5,870
<b>Total Other Financing Sources (Uses)</b>	<b>249,677</b>	<b>(449,986)</b>	<b>385,968</b>	<b>134,750</b>	<b>27,600</b>	<b>348,009</b>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	22,916	231,521	(52,796)	49,573	(2,618)	248,596
Fund Balance 1/1/2005	34,207	348,624	53,901	190,873	7,459	635,064
Fund Balance 12/31/2005	\$ 57,123	\$ 580,145	\$ 1,105	\$ 240,446	\$ 4,841	\$ 883,660
Reserve for Encumbrances, December 31, 2005	\$ 5,906	\$ 32,710	\$ -	\$ 52,096	\$ -	\$ 90,712

See accompanying Notes to the Financial Statements.



VILLAGE OF BARNESVILLE  
 BELMONT COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type	Fiduciary Fund Types		Total
	Enterprise	Nonexpendable Trust	Agency	(Memorandum Only)
Operating Cash Receipts:				
Charges for Services	\$ 1,371,211	1,370	-	\$ 1,372,581
Fines, Licenses and Permits	14,168	-	\$ 37,736	51,904
Earnings on Investments	-	14	-	14
Miscellaneous	54,632	-	-	54,632
<b>Total Operating Cash Receipts</b>	<b>1,440,011</b>	<b>1,384</b>	<b>37,736</b>	<b>1,479,131</b>
Operating Cash Disbursements:				
Personal Services	522,739	-	-	522,739
Contractual Services	232,305	-	-	232,305
Supplies and Materials	220,552	-	-	220,552
Other	7,180	-	-	7,180
Capital Outlay	92,827	-	-	92,827
<b>Total Operating Cash Disbursements</b>	<b>1,075,603</b>	<b>-</b>	<b>-</b>	<b>1,075,603</b>
Operating Income (Loss)	364,408	1,384	37,736	403,528
Non-Operating Cash Receipts/(Disbursements)				
Miscellaneous	17	-	(1,979)	(1,962)
Distribution of fines	-	-	(37,666)	(37,666)
<b>Total Non-Operating Cash Receipts/(Disbursements)</b>	<b>17</b>	<b>-</b>	<b>(39,645)</b>	<b>(39,628)</b>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	364,425	1,384	(1,909)	363,900
Transfers in	10,326	-	-	10,326
Transfers out	(228,715)	-	-	(228,715)
Net Receipts (Under) Disbursements	146,036	1,384	(1,909)	145,511
Fund Cash Balances, January 1, 2005	1,065,318	173,515	7,253	1,246,086
Fund Cash Balances, December 31, 2005	<u>\$ 1,211,354</u>	<u>\$ 174,899</u>	<u>\$ 5,344</u>	<u>\$ 1,391,597</u>
Reserves for Encumbrances, December 31, 2005	<u>\$ 86,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,974</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF BARNESVILLE  
 BELMONT COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Fiduciary Fund Types	Total	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Receipts:						
Property Taxes and Other Local Taxes	\$ 106,265	\$ 11,551	-	-	\$ 10,028	\$ 127,844
Municipal Income Taxes	-	542,798	-	-	-	542,798
Charges for Services	-	210,521	-	-	-	210,521
Intergovernmental	278,971	219,371	-	\$ 171,971	1,498	671,811
Fines, Licenses and Permits	55,516	20,315	-	-	-	75,831
Interest	52,112	9,724	-	-	-	61,836
Other	8,703	10,798	-	-	-	19,501
<b>Total Receipts</b>	<b>501,567</b>	<b>1,025,078</b>	<b>-</b>	<b>171,971</b>	<b>11,526</b>	<b>1,710,142</b>
Disbursements:						
General Government	119,523	42,434	-	-	-	161,957
Security of Persons & Property	517,700	270	-	-	41,577	559,547
Community Environment	1,183	-	-	-	-	1,183
Public Health Services	13,318	126,143	-	-	-	139,461
Transportation	27,485	211,632	-	-	-	239,117
Leisure time Activities	6,433	134,518	-	-	-	140,951
Capital Outlay	-	29,918	-	224,555	-	254,473
Debt Service:						
Principal	-	-	\$ 368,057	-	-	368,057
Interest	-	-	127,913	-	-	127,913
<b>Total Disbursements</b>	<b>685,642</b>	<b>544,915</b>	<b>495,970</b>	<b>224,555</b>	<b>41,577</b>	<b>1,992,659</b>
Receipts over(under) disbursements	(184,075)	480,163	(495,970)	(52,584)	(30,051)	(282,517)
Other Financing Sources (Uses)						
Proceeds of Notes	-	-	76,628	-	-	76,628
Transfers in	201,904	92,375	391,708	110,860	32,000	828,847
Transfers out	(12,000)	(555,741)	-	-	-	(567,741)
<b>Total Other Financing Sources (Uses)</b>	<b>189,904</b>	<b>(463,366)</b>	<b>468,336</b>	<b>110,860</b>	<b>32,000</b>	<b>337,734</b>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	5,829	16,797	(27,634)	58,276	1,949	55,217
Fund Balance 1/1/2004	28,378	331,827	81,535	132,597	5,510	579,847
Fund Balance 12/31/2004	\$ 34,207	\$ 348,624	\$ 53,901	\$ 190,873	\$ 7,459	\$ 635,064
Reserve for Encumbrances, December 31, 2004	\$ 3,588	\$ 12,420	\$ -	\$ 29,193	\$ -	\$ 45,201

See accompanying Notes to the Financial Statements.

VILLAGE OF BARNESVILLE  
 BELMONT COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -  
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type		Total
	Enterprise	Nonexpendable Trust	Agency	(Memorandum Only)
Operating Cash Receipts:				
Charges for Services	\$ 1,283,320	\$ 2,880	-	\$ 1,286,200
Fines, Licenses and Permits	11,697	-	\$ 36,655	48,352
Earnings on Investments	-	570	-	570
Miscellaneous	23,011	-	5,018	28,029
<b>Total Operating Cash Receipts</b>	<b>1,318,028</b>	<b>3,450</b>	<b>41,673</b>	<b>1,363,151</b>
Operating Cash Disbursements:				
Personal Services	495,003	-	-	495,003
Contractual Services	297,128	-	-	297,128
Supplies and Materials	234,801	-	-	234,801
Capital Outlay	145,505	-	-	145,505
<b>Total Operating Cash Disbursements</b>	<b>1,172,437</b>	<b>-</b>	<b>-</b>	<b>1,172,437</b>
Operating Income (Loss)	145,591	3,450	41,673	190,714
Non-Operating Cash Receipts/(Disbursements)				
Sale of Fixed Assets	6,101	-	-	6,101
Miscellaneous	(16)	-	-	(16)
Distribution of fines	-	-	(37,140)	(37,140)
<b>Total Non-Operating Cash Receipts/(Disbursements)</b>	<b>6,085</b>	<b>-</b>	<b>(37,140)</b>	<b>(31,055)</b>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	151,676	3,450	4,533	159,659
Transfers out	(261,106)	-	-	(261,106)
Net Receipts (Under) Disbursements	(109,430)	3,450	4,533	(101,447)
Fund Cash Balances, January 1, 2004 Adjusted, See Note 2	1,174,748	170,065	2,720	1,347,533
Fund Cash Balances, December 31, 2004	<u>\$ 1,065,318</u>	<u>\$ 173,515</u>	<u>\$ 7,253</u>	<u>\$ 1,246,086</u>
Reserves for Encumbrances, December 31, 2004	<u>\$ 54,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,450</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Barnesville, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including water and sewer, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively.

Certificates of deposit, U.S. Agency securities and donated common stock are valued at cost, or fair value when donated. The investment in STAROhio is recorded at share values reported by the State Treasurer.

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue funds:

- Street Construction Maintenance & Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- Park and Recreation Fund – This fund receives donations and distributions from income tax collections to be used for the maintenance and upkeep of the Village Park.
- Income Tax Fund – This fund receives receipts from the Village income tax and distributes net collections for the operation of the Village and for capital improvements.

Capital Projects Funds: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects fund:

- Capital Improvement Fund – This fund receives grant funding from state and federal agencies and distributions from the Income Tax Fund for various Village capital projects.

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Debt Service Funds: These funds are used to account for receipts that are restricted for the payment of Village debt. The Village had the following significant Debt Service Funds:

- Ohio Water Development Authority Loan Fund - This fund receives transfers from the sewer utility fund to retire outstanding debt related to a mandated utility construction project.
- Downtown Streetscape Note Fund – This fund receives bond anticipation note proceeds to retire outstanding debt related to a downtown economic development project.
- Water Plant Note Fund – This fund receives transfers from the water utility fund to retire outstanding debt related to construction of the Village water plant.

Proprietary Fund Types:

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

- Water Fund – this fund receives charges for services from residents to cover the cost of providing this utility.
- Sewer Fund – this fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Fund Types:

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The agency fund is used to account for funds held by the Village in a trustee capacity or agent for individuals or private organizations. The Village had the following significant Fiduciary Funds:

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D FUND ACCOUNTING – (Continued)

- Police Pension Fund – This fund receives property tax revenue levied for payment of employer contributions for police disability and pension benefits.
- Cemetery Endowment Fund – This fund receives interest from investments and perpetual care charges to finance the perpetual care of lots at the Village cemetery.
- Agency – Mayor’s Court – This fund is used to account for the receipts and disbursements of the Village’s Mayor’s Court.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2004 and 2005.

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

Budget receipts, as shown in Note 6, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 6.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.



**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

2. CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 379,891	\$ 98,231
Certificates of deposit	<u>1,084,470</u>	<u>1,288,567</u>
Total deposits	<u>1,464,361</u>	<u>1,386,798</u>
Federal Home Loan Bank Notes	183,905	65,430
Federal Home Loan Mortgage Corp. Note	350,000	350,000
Federal National Mortgage Assn.	167,854	-0-
STAROhio	62,285	32,070
Donated common stock at historical cost	<u>46,852</u>	<u>46,852</u>
Total investments	<u>810,896</u>	<u>494,352</u>
Total deposits and investments	<u>\$2,275,257</u>	<u>\$1,881,150</u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

**Investments:** U.S. Agency securities are held in book-entry form by the applicable agency, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAROhio 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.

The beginning cash balance at January 1, 2004, has been adjusted to include the Mayor's Court. The Mayor's Court was not included in the audit report for the years ending December 31, 2002 and 2003.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAX – (Continued)

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Belmont County Treasurer collects property tax on behalf of all taxing Villages within the county. The Belmont County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% 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 taxpayer pay estimated taxes quarterly and file a declaration annually.

5. DEFINED BENEFIT PENSION PLAN

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). The Village's other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
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6. BUDGETARY ACTIVITY

<u>2005 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 697,236	\$ 700,470	\$ 3,234
Special Revenue	1,246,699	1,580,880	334,181
Capital Projects	403,268	488,777	85,509
Debt Service	489,541	385,968	(103,573)
Enterprise	1,323,900	1,450,354	126,454
Expendable Trust	36,900	39,778	2,878
Nonexpendable Trust	1,630	1,384	246

<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 716,345	\$ 683,460	\$ 32,885
Special Revenue	1,527,579	1,382,069	145,510
Capital Projects	535,841	491,300	44,541
Debt Service	518,401	438,764	79,637
Enterprise	1,776,102	1,391,292	384,810
Expendable Trust	45,000	42,396	2,604
Nonexpendable Trust	20,000	-0-	20,000

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 684,592	\$ 703,471	\$ 18,879
Special Revenue	1,004,825	1,117,453	112,628
Capital Projects	282,466	282,831	365
Debt Service	776,706	468,336	308,370
Enterprise	1,207,600	1,324,129	116,529
Expendable Trust	42,495	43,526	1,031
Nonexpendable Trust	1,827	3,450	1,623

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 711,953	\$ 701,230	\$ 10,723
Special Revenue	1,245,287	1,113,076	132,211
Capital Projects	282,547	253,748	28,799
Debt Service	648,392	495,970	152,422
Enterprise	1,687,204	1,488,009	199,195
Expendable Trust	44,000	41,577	2,423
Nonexpendable Trust	20,000	-0-	20,000

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

7. DEBT

Debt outstanding at December 31, 2005 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$2,825,753	2 - 7%
Ohio Public Works Commission Loans	616,592	0 - 2%
General Obligation Bond Anticipation Note	<u>168,572</u>	2.8 – 5.9%
Total	<u>\$3,610,917</u>	

The Ohio Water Development Authority (OWDA) loans relate to a utility construction project that was mandated by the Ohio EPA and the construction of the Village water plant. The loans will be repaid in semiannual installments over 25 years. These loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates at a sufficient level to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to water and sewer improvement projects. These loans will be repaid in semiannual installments of \$20,343 over 20 years. These loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates at a sufficient level to cover OPWC debt service requirements.

The bond anticipation notes consist of two issues, one for a downtown economic development project and one for a fire truck. Both notes are backed by the full faith and credit of the Village.

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

Year Ending December 31:	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Bond Anticipation Notes</u>
2006	\$253,510	\$40,687	\$40,000
2007	253,510	40,687	40,000
2008	253,510	40,687	34,991
2009	253,510	40,687	66,260
2010	253,510	40,687	-0-
2011-2015	1,065,170	203,433	-0-
2016-2020	592,950	203,433	-0-
2021-2025	592,950	70,154	-0-
2026-2027	<u>237,180</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$3,755,800</u>	<u>\$680,455</u>	<u>\$181,251</u>

**VILLAGE OF BARNESVILLE**  
**BELMONT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General Liability
- Public Official's Liability
- Employer's Liability
- Law Enforcement Liability

The Village also provides health insurance to full-time employees through a private carrier.

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage in the past year.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Village Council  
Village of Barnesville  
Belmont County  
Barnesville, Ohio

We have audited the financial statements of the Village of Barnesville, Belmont County, Ohio (Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 23, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 23, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 23, 2006.

This report is intended solely for the information and use of management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***  
June 23, 2006

VILLAGE OF BARNESVILLE  
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Mayor's Court did not impose the correct state fees on all persons who were convicted or plead guilty to any offense other than a traffic offense that is not a moving violation. The Auditor of State issued a finding for recovery for the underpaid amount.	YES	Mayor's Court imposed the correct state fee and remitted the underpaid portion to the State of Ohio.
2003-002	Contrary to Ohio Rev. Code Section 5705.39, the Village had appropriations in excess of estimated resources.	NO	Partially corrected. Reflected in management letter.
2003-003	The Village did not allocate the proper amount of lot sales to the Cemetery Endowment Fund.	YES	Village allocated the correct portion of lot sales to the Cemetery Endowment Fund.





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**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  
SEPTEMBER 19, 2006**