



Mary Taylor, CPA
Auditor of State

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Barnesville Exempted Village School District
Belmont County
210 West 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, 2007, 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 and for the year ended June 30, 2007, and the respective changes in financial position thereof 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.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Emergency by the Ohio Department of Education on December 18, 2003 due to the District's declining financial condition. Note 20 to the financial statements describes management's current financial status. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2008, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 14, 2008

Barnesville Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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, 2007. 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 2007 are as follows:

- Net assets of governmental activities increased \$538,407.
- General revenues accounted for \$8,141,271 in revenue or 73 percent of total revenues. Program specific revenues in the form of charges for services and sales; operating grants and contributions; and capital grants and contributions accounted for \$2,987,229 or 27 percent of total revenues of \$11,128,500.
- Total assets of governmental activities increased \$379,663 primarily due to increased cash and cash equivalents which is offset by depreciation expense.
- The School District had \$10,590,093 in expenses related to governmental activities; only \$2,987,229 of these expenses were offset by program specific charges for services and sales; operating grants and contributions; and capital grants and contributions. General revenues of \$8,141,271 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 \$8,589,541 in revenues and \$7,741,068 in expenditures. The general fund's balance increased \$848,473. The debt service fund had \$318,129 in revenues and \$279,909 in expenditures. The debt service fund's balance increased \$99,156.

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 first 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, 2007
Unaudited

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 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial 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, 2007
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 2007 compared to fiscal year 2006.

| | <u>Governmental Activities</u> | | |
|---|--------------------------------|---------------------|------------------|
| | <u>2007</u> | <u>2006</u> | <u>Change</u> |
| Assets | | | |
| Current and Other Assets | \$6,036,311 | \$5,172,641 | \$863,670 |
| Capital Assets | 17,781,118 | 18,265,125 | (484,007) |
| Total Assets | <u>23,817,429</u> | <u>23,437,766</u> | <u>379,663</u> |
| Liabilities | | | |
| Long-Term Liabilities | 3,577,825 | 3,613,443 | (35,618) |
| Other Liabilities | 3,364,704 | 3,487,830 | (123,126) |
| Total Liabilities | <u>6,942,529</u> | <u>7,101,273</u> | <u>(158,744)</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Debt | 15,085,137 | 15,294,896 | (209,759) |
| Restricted | 998,929 | 1,103,126 | (104,197) |
| Unrestricted (Deficit) | 790,834 | (61,529) | 852,363 |
| Total Net Assets | <u>\$16,874,900</u> | <u>\$16,336,493</u> | <u>\$538,407</u> |

Total assets increased \$379,663. Current assets increased by \$863,670 primarily due to an increase in cash and cash equivalents. The decrease in capital assets was due to depreciation expense recorded for fiscal year 2007 which was slightly offset by additions to capital assets, of which \$98,015 was a donated press box by the booster organization.

Total liabilities decreased \$158,744, due primarily to decreases in accounts payable, intergovernmental payable and deferred revenue, which was offset by increases in accrued wages and benefits payable and vacation benefits payable. Long-term liabilities also decreased during fiscal year 2007 due to principal repayments of long-term obligations as well as the debt refunding.

Barnesville Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2007 compared to fiscal year 2006.

Table 2
Changes in Net Assets

| | Governmental Activities | | Change |
|--|--------------------------------|---------------------|------------------|
| | 2007 | 2006 | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services and Sales | \$713,251 | \$645,326 | \$67,925 |
| Operating Grants and Contributions | 2,161,677 | 2,214,668 | (52,991) |
| Capital Grants and Contributions | 112,301 | 7,852 | 104,449 |
| Total Program Revenues | 2,987,229 | 2,867,846 | 119,383 |
| General Revenues | | | |
| Property Taxes | 2,384,518 | 2,407,977 | (23,459) |
| Grants and Entitlements not Restricted to Specific Programs | 5,508,667 | 5,344,194 | 164,473 |
| Others | 248,086 | 218,046 | 30,040 |
| Total General Revenues | 8,141,271 | 7,970,217 | 171,054 |
| Total Revenues | 11,128,500 | 10,838,063 | 290,437 |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 4,197,768 | 4,041,270 | 156,498 |
| Special | 1,608,855 | 1,711,179 | (102,324) |
| Vocational | 239,549 | 147,712 | 91,837 |
| Support Services: | | | |
| Pupils | 548,332 | 567,435 | (19,103) |
| Instructional Staff | 207,546 | 242,001 | (34,455) |
| Board of Education | 77,800 | 55,712 | 22,088 |
| Administration | 801,492 | 790,387 | 11,105 |
| Fiscal | 325,204 | 335,881 | (10,677) |
| Business | 6,296 | 22,563 | (16,267) |
| Operation and Maintenance of Plant | 1,018,184 | 910,605 | 107,579 |
| Pupil Transportation | 641,144 | 614,027 | 27,117 |
| Central | 36,772 | 40,530 | (3,758) |
| Operation of Non-Instructional Services | 70,226 | 76,637 | (6,411) |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 463,266 | 416,447 | 46,819 |
| Extracurricular Activities | 208,939 | 191,606 | 17,333 |
| Interest and Fiscal Charges | 138,720 | 190,095 | (51,375) |
| Total Expenses | 10,590,093 | 10,354,087 | 236,006 |
| Increase in Net Assets | 538,407 | 483,976 | 54,431 |
| Net Assets Beginning of Year | 16,336,493 | 15,852,517 | 483,976 |
| Net Assets End of Year | \$16,874,900 | \$16,336,493 | \$538,407 |

In 2007, 21 percent of the School District's revenues were from property taxes and 50 percent were from unrestricted grants and entitlements. The District realized a slight decrease in property tax revenue from

Barnesville Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

fiscal year 2006 due to the phase-out provisions for personal property taxes which are offset by hold-harmless reimbursements received from the State that are recorded as intergovernmental revenue.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 69 percent is for regular instruction, 27 percent for special instruction, and 4 percent for vocational instruction. Instructional program expenses increased \$146,011, or approximately 2.5 percent from the prior fiscal year due primarily to increased wages from incremental step increases and the purchase of instructional materials and supplies for additional curriculum projects.

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 2007 compared to fiscal year 2006. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|--|-------------------------------|---------------------|-----------------------------|--------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Instruction: | | | | |
| Regular | \$4,197,768 | \$4,041,270 | \$3,458,380 | \$3,448,553 |
| Special | 1,608,855 | 1,711,179 | 415,424 | 466,179 |
| Vocational | 239,549 | 147,712 | 168,958 | 50,512 |
| Support Services: | | | | |
| Pupils | 548,332 | 567,435 | 463,935 | 431,317 |
| Instructional Staff | 207,546 | 242,001 | 154,315 | 163,071 |
| Board of Education | 77,800 | 55,712 | 77,800 | 55,712 |
| Administration | 801,492 | 790,387 | 653,022 | 654,205 |
| Fiscal | 325,204 | 335,881 | 320,000 | 335,881 |
| Business | 6,296 | 22,563 | 6,296 | 22,563 |
| Operation and Maintenance of Plant | 1,018,184 | 910,605 | 1,013,984 | 906,713 |
| Pupil Transportation | 641,144 | 614,027 | 626,858 | 606,175 |
| Central | 36,772 | 40,530 | 21,136 | 28,703 |
| Operation of Non-Instructional Services | 70,226 | 76,637 | (7,339) | 5,233 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 463,266 | 416,447 | 112,355 | 50,774 |
| Extracurricular Activities | 208,939 | 191,606 | (20,980) | 70,555 |
| Interest and Fiscal Charges | 138,720 | 190,095 | 138,720 | 190,095 |
| Total Expenses | \$10,590,093 | \$10,354,087 | \$7,602,864 | \$7,486,241 |

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 72 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, 2007

Unaudited

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The general fund had \$8,589,541 in revenues and \$7,741,068 in expenditures. The general fund's balance increased \$848,473. The debt service fund had \$318,129 in revenues and \$279,909 in expenditures. The debt service fund's balance increased \$99,156.

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 year 2007, 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. Due to the District's current financial condition, the Fiscal Planning and Supervision Commission has recommended that the District budget at the fund level and purchase on an as-needed basis only, thus creating potentially large variances when budget vs. actual statements are presented at a more detailed level (i.e.-function, object, etc.).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$17,781,118 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 8 for more detailed information of the School District's capital assets.

Debt

During fiscal year 2007, the District undertook a debt refunding issue. After the refunding, June 30, 2007, the School District had \$2,909,349 in bonds outstanding and \$24,554 in capital leases outstanding.

See Note 14 for more detailed information on the School District's debt.

Economic Factors

The Barnesville Exempted Village School District is currently in a state of fiscal emergency; however, the School District has reduced its annual budget by \$1,700,000 through a significant reduction in force over the past three fiscal years. As the preceding information indicates, the School District has experienced an increase of \$538,407 in net assets in fiscal year 2007. The School District, which relies heavily on state foundation funding, has fully repaid the advance of state foundation monies borrowed in fiscal year 2004 in the amount of \$1,551,000 as of June 30, 2006. The School District has not solicited voters to support a tax levy in order to generate additional revenue, and has been able to keep expenses well below revenues again in fiscal year 2007. The District Board of Education recently partially refunded their school improvement bonds which were issued in 2000 in conjunction with the Ohio School Facilities Commission project. With the refunding of the bonds, the District will realize approximately \$100,000 in savings based on current market rates.

Barnesville Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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 Matt King, Treasurer/CFO at Barnesville Exempted Village School District, 210 West Church Street, Barnesville, Ohio 43713.

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Barnesville Exempted Village School District
Statement of Net Assets
June 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$3,328,762 |
| Intergovernmental Receivable | 67,810 |
| Prepaid Items | 5,180 |
| Materials and Supplies Inventory | 24,682 |
| Cash and Cash Equivalents with Escrow Agents | 26,104 |
| Property Taxes Receivable | 2,524,424 |
| Deferred Charges | 59,349 |
| Non-Depreciable Capital Assets | 351,703 |
| Depreciable Capital Assets, Net | <u>17,429,415</u> |
| <i>Total Assets</i> | <u>23,817,429</u> |
| Liabilities | |
| Accounts Payable | 30,797 |
| Accrued Wages and Benefits Payable | 818,924 |
| Intergovernmental Payable | 264,385 |
| Accrued Interest Payable | 10,082 |
| Vacation Benefits Payable | 76,826 |
| Retainage Payable | 26,104 |
| Deferred Revenue | 2,137,586 |
| Long-Term Liabilities: | |
| Due Within One Year | 205,591 |
| Due In More Than One Year | <u>3,372,234</u> |
| <i>Total Liabilities</i> | <u>6,942,529</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 15,085,137 |
| Restricted for: | |
| Capital Projects | 327,861 |
| Debt Service | 259,248 |
| Food Service Operations | 28,341 |
| Building Maintenance | 176,098 |
| Bus Purchase and Other Local Purposes | 167,793 |
| State Programs | 39,588 |
| Unrestricted | <u>790,834</u> |
| <i>Total Net Assets</i> | <u><u>\$16,874,900</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, 2007

| | 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 |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$4,197,768 | \$440,407 | \$298,981 | \$0 | (\$3,458,380) |
| Special | 1,608,855 | 0 | 1,193,431 | 0 | (415,424) |
| Vocational | 239,549 | 0 | 70,591 | 0 | (168,958) |
| Support Services: | | | | | |
| Pupils | 548,332 | 0 | 84,397 | 0 | (463,935) |
| Instructional Staff | 207,546 | 0 | 53,231 | 0 | (154,315) |
| Board of Education | 77,800 | 0 | 0 | 0 | (77,800) |
| Administration | 801,492 | 0 | 148,470 | 0 | (653,022) |
| Fiscal | 325,204 | 0 | 5,204 | 0 | (320,000) |
| Business | 6,296 | 0 | 0 | 0 | (6,296) |
| Operation and Maintenance of Plant | 1,018,184 | 4,200 | 0 | 0 | (1,013,984) |
| Pupil Transportation | 641,144 | 0 | 0 | 14,286 | (626,858) |
| Central | 36,772 | 0 | 15,636 | 0 | (21,136) |
| Operation of Non-Instructional Services | 70,226 | 0 | 77,565 | 0 | 7,339 |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 463,266 | 136,740 | 214,171 | 0 | (112,355) |
| Extracurricular Activities | 208,939 | 131,904 | 0 | 98,015 | 20,980 |
| Interest and Fiscal Charges | 138,720 | 0 | 0 | 0 | (138,720) |
| <i>Total Governmental Activities</i> | <u>\$10,590,093</u> | <u>\$713,251</u> | <u>\$2,161,677</u> | <u>\$112,301</u> | <u>(7,602,864)</u> |
| General Revenues | | | | | |
| Property Taxes Levied for General Purposes | | | | | 2,079,431 |
| Property Taxes Levied for Building Maintenance | | | | | 37,137 |
| Property Taxes Levied for Debt Service | | | | | 267,950 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 5,508,667 |
| Gifts and Donations | | | | | 38,660 |
| Investment Earnings | | | | | 122,284 |
| Miscellaneous | | | | | 87,142 |
| <i>Total General Revenues</i> | | | | | <u>8,141,271</u> |
| Change in Net Assets | | | | | 538,407 |
| <i>Net Assets Beginning of Year</i> | | | | | <u>16,336,493</u> |
| <i>Net Assets End of Year</i> | | | | | <u>\$16,874,900</u> |

See accompanying notes to the basic financial statements

Barnesville Exempted Village School District
Balance Sheet
Governmental Funds
June 30, 2007

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,046,050 | \$400,218 | \$868,208 | \$3,314,476 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 14,286 | 0 | 0 | 14,286 |
| Cash and Cash Equivalents with Escrow Agent | 0 | 0 | 26,104 | 26,104 |
| Receivables: | | | | |
| Property Taxes | 2,180,492 | 300,361 | 43,571 | 2,524,424 |
| Intergovernmental | 29,217 | 0 | 38,593 | 67,810 |
| Interfund | 7,979 | 0 | 0 | 7,979 |
| Prepaid Items | 5,180 | 0 | 0 | 5,180 |
| Materials and Supplies Inventory | 15,773 | 0 | 8,909 | 24,682 |
| <i>Total Assets</i> | <u>\$4,298,977</u> | <u>\$700,579</u> | <u>\$985,385</u> | <u>\$5,984,941</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$21,073 | \$0 | \$9,724 | \$30,797 |
| Accrued Wages and Benefits | 710,807 | 0 | 108,117 | 818,924 |
| Retainage Payable | 0 | 0 | 26,104 | 26,104 |
| Interfund Payable | 0 | 0 | 7,979 | 7,979 |
| Intergovernmental Payable | 214,978 | 0 | 49,407 | 264,385 |
| Deferred Revenue | 2,027,059 | 274,676 | 67,443 | 2,369,178 |
| <i>Total Liabilities</i> | <u>2,973,917</u> | <u>274,676</u> | <u>268,774</u> | <u>3,517,367</u> |
| Fund Balances | | | | |
| Reserved for Encumbrances | 298,652 | 0 | 157,549 | 456,201 |
| Reserved for Property Taxes | 182,650 | 25,685 | 3,438 | 211,773 |
| Reserved for Bus Purchases | 14,286 | 0 | 0 | 14,286 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 829,472 | 0 | 0 | 829,472 |
| Special Revenue Funds | 0 | 0 | 254,712 | 254,712 |
| Debt Service Fund | 0 | 400,218 | 0 | 400,218 |
| Capital Projects Funds | 0 | 0 | 300,912 | 300,912 |
| <i>Total Fund Balances</i> | <u>1,325,060</u> | <u>425,903</u> | <u>716,611</u> | <u>2,467,574</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$4,298,977</u> | <u>\$700,579</u> | <u>\$985,385</u> | <u>\$5,984,941</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, 2007*

Total Governmental Fund Balances \$2,467,574

*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. 17,781,118

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

| | |
|-------------------|----------------|
| Intergovernmental | 56,527 |
| Property Taxes | <u>175,065</u> |

Total 231,592

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and , therefore, are
not reported in the funds. 59,349

Long-term liabilities and accrued interest payable
are not due and payable in the current period
and therefore are not reported in the funds:

| | |
|----------------------------|---------------|
| General Obligation Bonds | 2,755,000 |
| Capital Appreciation Bonds | 94,999 |
| Bond Premium | 178,573 |
| Refunding Difference | (119,223) |
| Accrued Interest Payable | 10,082 |
| Capital Leases | 24,554 |
| Compensated Absences | 643,922 |
| Vacation Benefits Payable | <u>76,826</u> |

Total (3,664,733)

Net Assets of Governmental Activities \$16,874,900

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, 2007

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$2,099,189 | \$269,331 | \$37,460 | \$2,405,980 |
| Intergovernmental | 5,914,226 | 34,084 | 1,702,046 | 7,650,356 |
| Interest | 76,452 | 14,714 | 31,118 | 122,284 |
| Tuition and Fees | 440,407 | 0 | 0 | 440,407 |
| Extracurricular Activities | 0 | 0 | 131,904 | 131,904 |
| Rent | 4,200 | 0 | 0 | 4,200 |
| Contributions and Donations | 14,287 | 0 | 24,373 | 38,660 |
| Charges for Services | 0 | 0 | 136,740 | 136,740 |
| Miscellaneous | 40,780 | 0 | 46,362 | 87,142 |
| <i>Total Revenues</i> | <u>8,589,541</u> | <u>318,129</u> | <u>2,110,003</u> | <u>11,017,673</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,509,460 | 0 | 276,015 | 3,785,475 |
| Special | 820,894 | 0 | 754,683 | 1,575,577 |
| Vocational | 213,909 | 0 | 0 | 213,909 |
| Support Services: | | | | |
| Pupils | 370,656 | 0 | 144,380 | 515,036 |
| Instructional Staff | 128,685 | 0 | 59,803 | 188,488 |
| Board of Education | 78,134 | 0 | 0 | 78,134 |
| Administration | 578,636 | 0 | 148,299 | 726,935 |
| Fiscal | 295,249 | 6,204 | 5,445 | 306,898 |
| Business | 20,938 | 0 | 0 | 20,938 |
| Operation and Maintenance of Plant | 927,651 | 0 | 41,673 | 969,324 |
| Pupil Transportation | 544,624 | 0 | 0 | 544,624 |
| Central | 18,802 | 0 | 17,970 | 36,772 |
| Operation of Non-Instructional Services | 0 | 0 | 70,226 | 70,226 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 0 | 0 | 405,162 | 405,162 |
| Extracurricular Activities | 98,825 | 0 | 99,074 | 197,899 |
| Capital Outlay | 110,752 | 0 | 105,000 | 215,752 |
| Debt Service: | | | | |
| Principal Retirement | 20,675 | 75,000 | 0 | 95,675 |
| Interest and Fiscal Charges | 3,178 | 137,769 | 0 | 140,947 |
| Issuance Costs | 0 | 60,936 | 0 | 60,936 |
| <i>Total Expenditures</i> | <u>7,741,068</u> | <u>279,909</u> | <u>2,127,730</u> | <u>10,148,707</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>848,473</u> | <u>38,220</u> | <u>(17,727)</u> | <u>868,966</u> |
| Other Financing Sources (Uses) | | | | |
| Refunding Bonds Issued | 0 | 1,684,999 | 0 | 1,684,999 |
| Premium on Refunding Bonds | 0 | 183,348 | 0 | 183,348 |
| Payment to Refunded Bond Escrow Agent | 0 | (1,807,411) | 0 | (1,807,411) |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>60,936</u> | <u>0</u> | <u>60,936</u> |
| <i>Net Change in Fund Balances</i> | 848,473 | 99,156 | (17,727) | 929,902 |
| <i>Fund Balances Beginning of Year</i> | <u>476,587</u> | <u>326,747</u> | <u>734,338</u> | <u>1,537,672</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,325,060</u> | <u>\$425,903</u> | <u>\$716,611</u> | <u>\$2,467,574</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, 2007*

Net Change in Fund Balances - Total Governmental Funds \$929,902

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|---------------------------|------------------|-----------|
| Capital Asset Additions | 225,855 | |
| Current Year Depreciation | <u>(806,002)</u> | |
| Total | | (580,147) |

Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities. (1,875)

Capital Assets donated to the District which did not result in capital outlay in the Governmental Funds. 98,015

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

| | | |
|-------------------|-----------------|--------|
| Intergovernmental | 34,274 | |
| Property Taxes | <u>(21,462)</u> | |
| Total | | 12,812 |

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 | 75,000 | |
| Capital Leases | <u>20,675</u> | |
| Total | | 95,675 |

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 2,227

General obligation bonds issued and bond premiums are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

| | | |
|-----------------------------------|--------------|-------------|
| General Obligation Bonds Issued | (1,684,999) | |
| Premium on Bonds Issued | (183,348) | |
| Current Year Premium Amortization | <u>4,775</u> | |
| Total | | (1,863,572) |

Payment to the refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net assets. 1,807,411

Bond Issuance costs are debt service expenditures in governmental funds when paid, but are reported as deferred charges assets on the statement of net assets and are allocated as an expense over the life of the outstanding debt on the statement of activities.

| | | |
|---------------------------|----------------|--------|
| Bond Issuance Costs Paid | 60,936 | |
| Current Year Amortization | <u>(1,587)</u> | |
| Total | | 59,349 |

The refunding difference is allocated as a reduction of expenses in the statement of activities over the life of the bonds. (3,188)

Some expenses reported in the statement of activities, such as compensated absences and vacation benefits payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|------------------------------|--------------|-----------------|
| Vacation Benefits Payable | (17,494) | |
| Compensated Absences Payable | <u>(708)</u> | |
| Total | | <u>(18,202)</u> |

Changes in Net Assets of Governmental Activities \$538,407

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, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---------------------------------------|--------------------|--------------------|--------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$2,057,843 | \$2,065,910 | \$2,065,910 | \$0 |
| Intergovernmental | 6,021,896 | 6,035,560 | 5,914,226 | (121,334) |
| Interest | 86,646 | 76,452 | 76,452 | 0 |
| Tuition and Fees | 433,230 | 440,407 | 440,407 | 0 |
| Rent | 0 | 4,200 | 4,200 | 0 |
| Contributions and Donations | 21,661 | 14,287 | 14,287 | 0 |
| Miscellaneous | 43,323 | 42,070 | 42,070 | 0 |
| <i>Total Revenues</i> | <u>8,664,599</u> | <u>8,678,886</u> | <u>8,557,552</u> | <u>(121,334)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,738,841 | 7,287,024 | 3,493,109 | 3,793,915 |
| Special | 173,739 | 119,342 | 759,847 | (640,505) |
| Vocational | 122,105 | 85,841 | 244,536 | (158,695) |
| Support Services: | | | | |
| Pupils | 80,569 | 53,370 | 373,882 | (320,512) |
| Instructional Staff | 79,984 | 52,785 | 127,923 | (75,138) |
| Board of Education | 30,106 | 21,040 | 71,045 | (50,005) |
| Administration | 150,071 | 104,740 | 581,884 | (477,144) |
| Fiscal | 61,276 | 43,144 | 313,318 | (270,174) |
| Business | 70,499 | 52,467 | 22,140 | 30,327 |
| Operation and Maintenance of Plant | 227,939 | 155,410 | 998,938 | (843,528) |
| Pupil Transportation | 124,295 | 93,017 | 617,986 | (524,969) |
| Central | 38,126 | 29,060 | 42,802 | (13,742) |
| Extracurricular Activities | 30,315 | 21,249 | 89,195 | (67,946) |
| Capital Outlay | 0 | 0 | 235,999 | (235,999) |
| Debt Service: | | | | |
| Principal Retirement | 193,875 | 193,875 | 0 | 193,875 |
| <i>Total Expenditures</i> | <u>8,121,740</u> | <u>8,312,364</u> | <u>7,972,604</u> | <u>339,760</u> |
| Excess of Revenues Over Expenditures | <u>542,859</u> | <u>366,522</u> | <u>584,948</u> | <u>218,426</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | 0 | 0 | 43,414 | 43,414 |
| Advances Out | (30,710) | (30,710) | (7,979) | 22,731 |
| Total Other Financing Sources (Uses) | <u>(30,710)</u> | <u>(30,710)</u> | <u>35,435</u> | <u>66,145</u> |
| <i>Net Change in Fund Balance</i> | 512,149 | 335,812 | 620,383 | 284,571 |
| <i>Fund Balance Beginning of Year</i> | 931,551 | 931,551 | 931,551 | 0 |
| Prior Year Encumbrances Appropriated | <u>176,337</u> | <u>176,337</u> | <u>176,337</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$1,620,037</u> | <u>\$1,443,700</u> | <u>\$1,728,271</u> | <u>\$284,571</u> |

See accompanying notes to the basic financial statements

Barnesville Exempted Village School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

| | Private Purpose Trust Fund | Agency |
|--|---------------------------------------|---------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$282,832 | \$58,536 |
| <i>Total Assets</i> | 282,832 | \$58,536 |
| Liabilities | | |
| Due to Students | 0 | \$58,536 |
| <i>Total Liabilities</i> | 0 | \$58,536 |
| Net Assets | | |
| Held in Trust for Scholarships | 282,832 | |
| <i>Total Net Assets</i> | \$282,832 | |

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, 2007

| | <u>Private Purpose Trust Fund</u> |
|---|---------------------------------------|
| Additions | |
| Interest | \$9,549 |
| Contributions and Donations | <u>243,000</u> |
| Total Additions | 252,549 |
| Deductions | |
| Payment in accordance with Trust agreements | <u>2,000</u> |
| <i>Change in Net Assets</i> | 250,549 |
| <i>Net Assets Beginning of Year</i> | <u>32,283</u> |
| <i>Net Assets End of Year</i> | <u><u>\$282,832</u></u> |

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, 2007

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. The Board controls the School District's 4 instructional/support facilities staffed by 45 non-certified employees, 80 certificated personnel and 10 administrative employees to provide services to 1,157 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 combined 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. 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.

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 and revised the plan on July 13, 2005. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan. See Note 20 for further details.

Reporting Entity:

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

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

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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. These State monies are reflected in a Special Revenue fund for financial reporting purposes.

The School District is involved with five organizations, four of which are defined as jointly governed organizations 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 (ECOSERRC), the Belmont-Harrison Vocational School District, and the Barnesville Hutton Memorial Library. These organizations are presented in Notes 15 and 16 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 statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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, 2007*

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. The activities of the School District are reported using 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 fund accounts 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, 2007

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. 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 5). 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, 2007, but which were levied to finance fiscal year 2008 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, 2007

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 2007, 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 2007 amounted to \$76,452 which includes \$10,703 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 to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

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, 2007, 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, 2007*

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 backrending (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 capital 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 and construction in process. 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 |
| Construction in Process | N/A |
| Land Improvements | 20 Years |
| Buildings and Improvements | 5-50 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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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. Bond Premiums, Discounts, Gains/Losses on Refinancing and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

Any difference (gain/loss) on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. 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.

O. 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.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

P. 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$998,929 of restricted net assets. Of the restricted net assets, none 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.

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Data

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

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.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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 | \$848,473 |
| Revenue Accruals | (31,989) |
| Advance In | 43,414 |
| Expenditure Accruals | 100,529 |
| Advances Out | (7,979) |
| Encumbrances | <u>(332,065)</u> |
| Budget Basis | <u><u>\$620,383</u></u> |

Barnesville Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

NOTE 4 - 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 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;
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).
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.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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, \$3,937,177 of the School District's bank balance of \$4,137,177 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out-the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. 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.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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, 2007, are available to finance fiscal year 2007 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, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$182,650 in the general fund, \$25,685 in the debt service fund, and \$3,438 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2006, was \$149,371 in the general fund, \$19,942 in the debt service fund, and \$2,815 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 2007 taxes were collected are:

| | 2006 Second Half Collections | | 2007 First Half Collections | |
|--|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$79,213,050 | 90.14% | \$91,443,280 | 91.80% |
| Public Utility Personal | 5,301,120 | 6.03% | 5,401,360 | 5.42% |
| General Business Personal | 3,364,080 | 3.83% | 2,769,080 | 2.78% |
| | \$87,878,250 | 100.00% | \$99,613,720 | 100.00% |
| Tax Rate per \$1,000 of assessed valuation | | \$44.20 | | \$43.95 |

Barnesville Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, intergovernmental, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$175,065 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|--------------------------------|------------------------|
| Governmental Activities | |
| CORE Implementation | \$29,454 |
| Title VI | 1,022 |
| Excess Costs | 29,217 |
| Drug Free Schools | <u>8,117</u> |
| Total | <u><u>\$67,810</u></u> |

NOTE 7 – INTERNAL BALANCES

Interfund balances at June 30, 2007 consist of the following individual interfund receivables and payables:

| | <u>Interfund Receivable</u> |
|-----------------------------------|-----------------------------|
| <u>Interfund Payable</u> | <u>General Fund</u> |
| Other Nonmajor Governmental Funds | <u><u>\$7,979</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 grant monies are received.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

| | Balance 6/30/06 | Additions | Deletions | Balance 6/30/07 |
|--|---------------------|--------------------|------------------|---------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$248,950 | \$0 | \$0 | \$248,950 |
| Construction in Progress | 0 | 102,753 | 0 | 102,753 |
| Total Nondepreciable Capital Assets | 248,950 | 102,753 | 0 | 351,703 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 796,761 | 0 | 0 | 796,761 |
| Buildings and Improvements | 24,196,780 | 98,015 (1) | 0 | 24,294,795 |
| Furniture and Equipment | 823,854 | 58,225 | 0 | 882,079 |
| Vehicles | 849,374 | 64,877 | (101,516) | 812,735 |
| Total Depreciable Capital Assets | 26,666,769 | 221,117 | (101,516) | 26,786,370 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (349,520) | (35,146) | 0 | (384,666) |
| Buildings and Improvements | (7,128,469) | (670,047) | 0 | (7,798,516) |
| Furniture and Equipment | (512,683) | (44,187) | 0 | (556,870) |
| Vehicles | (659,922) | (56,622) | 99,641 | (616,903) |
| Total Accumulated Depreciation | (8,650,594) | (806,002) | 99,641 | (9,356,955) |
| Total Depreciable Capital Assets, Net | 18,016,175 | (584,885) | (1,875) | 17,429,415 |
| Governmental Capital Assets, Net | \$18,265,125 | (\$482,132) | (\$1,875) | \$17,781,118 |

(1) Of the total asset additions of \$323,870, \$98,015 represents the contribution of press box assets from the boosters club.

Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------------------|------------------|
| Instruction: | |
| Regular | \$419,432 |
| Special | 52,898 |
| Vocational | 18,875 |
| Support Services: | |
| Pupils | 30,945 |
| Instructional Staff | 18,733 |
| Administration | 52,898 |
| Fiscal | 17,633 |
| Business | 725 |
| Operation of Maintenance and Plant | 31,591 |
| Pupil Transportation | 99,529 |
| Extracurricular | 11,633 |
| Food Service Operations | 51,110 |
| Total Depreciation Expense | \$806,002 |

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 9- 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 2007 the School District contracted with Indiana Insurance Company for property and inland marine coverage, general liability, and fleet insurance coverage. The Indiana Insurance Company insurance programs are as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$1,000 deductible) | \$35,427,771 |
| Automotive Liability (\$500 deductible) | 1,000,000 |
| Uninsured Motorist (\$500 deductible) | 1,000,000 |
| Medical Payments Limit | 5,000 |
| <i>General Liability:</i> | |
| Each Occurrence | 1,000,000 |
| Aggregated Limit | 2,000,000 |
| Medical Payments Limit | 15,000 |
| <i>Employee Benefits Liability:</i> | |
| Each Occurrence | 1,000,000 |
| Aggregated Limit | 3,000,000 |
| <i>Employer's Liability:</i> | |
| Each Occurrence | 1,000,000 |
| Disease - Each Employee | 1,000,000 |
| Disease - Limit | 1,000,000 |
| <i>Legal Liability - Errors and 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. The School District pays the State a rate of \$100 of salaries for workers' compensation.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 10 - 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.

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 2007, 10.68 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, 2007, 2006 and 2005 were \$131,137, \$118,765 and \$99,727 respectively; 47.28 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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.strs.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, 2007

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, 2007, 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 2006, 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 STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$547,786, \$525,636, and \$531,698 respectively; 75.2 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$4,287 made by the School District and \$4,414 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$38,877 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$57,116.

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants receiving health care benefits.

NOTE 12 - 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 accumulated up to one year. 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 provides life, accidental death and dismemberment and medical/surgical benefits to most employees through the Health Plan of the Upper Ohio Valley HMO. The Board pays 100 percent of the premiums for full-time employees hired before July 1, 2004 and 90 percent for full-time employees hired after that date. The cost of premiums for the coverage through the Health Plan of the Upper Ohio Valley for employees hired before July 1, 2004 is \$928.96 family and \$371.59 single for medical/prescription, and \$10.17 family and \$4.09 single for vision. For employees hired after July 1, 2004 the cost of premiums is \$836.06 family and \$334.43 single for medical/prescription, and \$9.15 family and \$3.68 single for vision. The School District also provides dental insurance from Coresource and life insurance and accidental death and dismemberment insurance from J. Pilot to all employees based on the hire date. The cost of premiums for the dental insurance for employees hired before July 1, 2004 is \$58.72 family and \$25.47 single. For employees hired after July 1, 2004 the cost of premiums is \$52.85 family and \$22.92 single. Life insurance coverage is in the amount of \$25,000 per employee at a monthly premium of \$4.13 for all employees regardless of hire date.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 13 – CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into capitalized leases for copying equipment.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from functional expenditures and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$31,803. Principal payments in fiscal year 2007 totaled \$20,675, in the governmental funds.

Future minimum lease payments through 2009 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2008 | \$22,581 | \$1,272 |
| 2009 | 1,973 | 15 |
| Total | <u>\$24,554</u> | <u>\$1,287</u> |

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

| | <u>Principal Outstanding 6/30/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal Outstanding 6/30/07</u> | <u>Amounts Due Within One Year</u> |
|---|--|--------------------|--------------------|--|--|
| General Obligation Bonds: | | | | | |
| 2000 School Facilities Bonds \$3,267,000 | | | | | |
| Serial Bonds @ 4.3%-6.7% | \$2,925,000 | \$0 | \$1,760,000 | \$1,165,000 | \$95,000 |
| 2007 School Improvement Refunding Bonds \$1,684,999 | | | | | |
| Serial/Term Bonds - \$1,590,000 @ 3.85%-4.0% | 0 | 1,590,000 | 0 | 1,590,000 | 35,000 |
| Capital Appreciation Bonds - \$94,999 @ 4.2%-4.25% | 0 | 94,999 | 0 | 94,999 | 0 |
| Premium - \$183,348 | 0 | 183,348 | 4,775 | 178,573 | 0 |
| CAB Accretion - \$390,001 @ 14.955% | 0 | 0 | 0 | 0 | 0 |
| Refunding Difference - \$122,411 | 0 | (122,411) | (3,188) | (119,223) | 0 |
| Capital Leases | 45,229 | 0 | 20,675 | 24,554 | 22,581 |
| Compensated Absences | 643,214 | 90,283 | 89,575 | 643,922 | 53,010 |
| Total General Long-Term Obligations | <u>\$3,613,443</u> | <u>\$1,836,219</u> | <u>\$1,871,837</u> | <u>\$3,577,825</u> | <u>\$205,591</u> |

2000 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

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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. During fiscal year 2007, the School District made the scheduled repayment of serial bonds in the amount of \$75,000, and advance refunded \$1,685,000 of the term bonds. The advance refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the debt service fund. The remaining outstanding portion of the bond issue consists of serial bonds.

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.

Principal and Interest requirements to retire the remaining outstanding general obligation bonds for the 2000 School Facilities Bonds outstanding at June 30, 2007 are as follows:

| Fiscal Year | | | |
|----------------|-------------|-----------|-------------|
| Ending June 30 | Principal | Interest | Total |
| 2008 | \$95,000 | \$71,090 | \$166,090 |
| 2009 | 100,000 | 66,245 | 166,245 |
| 2010 | 105,000 | 61,045 | 166,045 |
| 2011 | 120,000 | 55,533 | 175,533 |
| 2012 | 125,000 | 49,113 | 174,113 |
| 2013-2016 | 620,000 | 107,530 | 727,530 |
| | | | |
| Total | \$1,165,000 | \$410,556 | \$1,575,556 |
| | | | |

2007 School Improvement Refunding General Obligation Bonds – On February 7, 2007, Barnesville Exempted Village School District issued \$1,684,999 of general obligation bonds. The bonds were issued to refund \$1,685,000 of outstanding 2000 School Facilities General Obligation Term Bonds. The bonds were issued for a 16 year period with final maturity at December 1, 2022. At the date of refunding, \$1,807,411 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds. See the Defeased Debt portion of this note below for details of the refunded bonds and escrow account.

These refunding bonds were issued with a premium of \$183,348. The amortization of the issuance costs for fiscal year 2007 was \$1,587. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$122,411. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$138,859. The issuance resulted in an economic gain of \$102,359.

The 2007 bond issue consists of serial, term and capital appreciation bonds, \$120,000, \$1,470,000, and \$94,999, respectively.

The capital appreciation bonds for this issue mature December 1, 2017 and 2018. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$485,000. Due to the bonds being issued in the last half of the fiscal year, no accretion was recorded for fiscal year 2007, leaving a total bond liability of \$94,999.

Barnesville Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

The term bonds for this issue are subject to optional and mandatory redemption prior to maturity.

The term bonds due December 1, 2016 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2011, 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>December 1</u> | <u>Principal Amount to be Redeemed</u> |
|-------------------|--|
| 2011 | \$30,000 |
| 2012 | 30,000 |
| 2013 | 35,000 |
| 2014 | 35,000 |
| 2015 | 35,000 |
| | <u>\$165,000</u> |

Unless otherwise called for redemption, the remaining \$230,000 principal amount of the bonds due December 1, 2016 is to be paid at stated maturity.

The term bonds due December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2019, 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>December 1</u> | <u>Principal Amount to be Redeemed</u> |
|-------------------|--|
| 2019 | \$250,000 |
| 2020 | 260,000 |
| 2021 | 275,000 |
| | <u>\$785,000</u> |

Unless otherwise called for redemption, the remaining \$290,000 principal amount of the bonds due December 1, 2022 is to be paid at stated maturity.

Optional Redemption

The term bonds maturing on December 1, 2022 are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2016 at par, which is 100 percent of the face value of the term bonds.

Barnesville Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007*

Principal and Interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2007 are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|--------------------|--------------------|--------------------|
| 2008 | \$35,000 | \$62,307 | \$97,307 |
| 2009 | 25,000 | 61,108 | 86,108 |
| 2010 | 30,000 | 60,007 | 90,007 |
| 2011 | 30,000 | 58,808 | 88,808 |
| 2012 | 30,000 | 57,630 | 87,630 |
| 2013-2017 | 365,000 | 265,531 | 630,531 |
| 2018-2022 | 879,999 | 558,901 | 1,438,900 |
| 2023 | 290,000 | 5,800 | 295,800 |
| Total | <u>\$1,684,999</u> | <u>\$1,130,092</u> | <u>\$2,815,091</u> |

The capital lease will be paid from the general fund. Compensated absences will be paid from the general, miscellaneous state grants, miscellaneous federal grants, title I and food service funds.

The School District's overall legal debt margin was \$6,225,251, with an unvoted debt margin of \$96,104, at June 30, 2007.

Defeased Debt:

On February 7, 2007, the School District issued \$1,684,999 of general obligation bonds, as detailed above. The bonds were issued to refund \$1,685,000 of outstanding 2000 School Facilities General Obligation Term Bonds. The bonds were issued for a 16 year period with final maturity at December 1, 2022. At the date of refunding, \$1,807,411 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds. As of June 30, 2007, the full amount of refunded bonds remained outstanding and the balance of the escrow trust account was \$1,782,115.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 15 - 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 statute. 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 2007, the total amount paid to OME-RESA for services provided was \$40,741. 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, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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 fourteen 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 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 2007.

The East Central Ohio Special Education Regional Resource Center - The East Central Ohio Special Education Regional Resource Center (ECOSERRC) is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio that operates under the direction of an Advisory Board that consists of one or more superintendents from each of the 10 participating counties. This Board establishes policy, approves the budget and recommends employment through its fiscal agent, Tuscarawas, Carroll, Harrison Educational Service Center. The ECOSERRC 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 ECOSERRC 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 ECOSERRC.

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.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 16 - 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 17 - 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.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. In prior years, the 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, 2007.

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 2007.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

The following cash basis information demonstrates the amount of carry-forwards from prior years that will continue to be carried forward until the 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, 2006 | \$0 | \$0 |
| Current Year Set-aside Requirement | 175,531 | 175,531 |
| Legislative Reduction | <u>(175,531)</u> | <u>(175,531)</u> |
| Fiscal Year 2007 Totals | <u>\$0</u> | <u>\$0</u> |
| Prior Year Carry Forward at June 30, 2006 | (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, 2007 | <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 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.

NOTE 18 – 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, 2007.

B. Litigation

The School District is currently not party to any legal proceedings.

NOTE 19 – SUBSEQUENT EVENT NOTE

The School District Board of Education and the Barnesville Education Association (BEA), representing the teaching employees of the District, have been in on-going negotiations since the expiration of the teacher's employment contract on June 30, 2006. The BEA had issued a ten day strike notice that would have been effective September 5, 2007. On September 5, 2007 the Board of Education and the BEA reached a tentative agreement which resulted in the termination of the strike notice.

Barnesville Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 20 – FINANCIAL POSITION

Based on the most recent Board-adopted five year forecast, the District is not projecting a deficit cash balance or unreserved fund balance in any of the five projected fiscal years.

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title | Pass-Through Entity Number | Federal CFDA Number | Receipts | Noncash Receipts | Expenditures | Noncash Expenditures |
|--|----------------------------------|---------------------------|---------------------------|------------------------|---------------------------|-------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed-Through Ohio Department of Education:</i> | | | | | | |
| Food Donation | N/A | 10.550 | \$0 | \$13,464 | \$0 | \$13,464 |
| Nutrition Cluster: | | | | | | |
| School Breakfast Program | 045203-05PU-2006 | 10.553 | 8,962 | | 8,962 | |
| | 045203-05PU-2007 | 10.553 | 46,178 | | 46,178 | |
| Total School Breakfast Program | | | 55,140 | 0 | 55,140 | 0 |
| National School Lunch Program | 045203-LLP4-2006 | 10.555 | 21,013 | | 21,013 | |
| | 045203-LLP4-2007 | 10.555 | 113,431 | | 113,431 | |
| Total National School Lunch Program | | | 134,444 | 0 | 134,444 | 0 |
| Total Nutrition Cluster | | | 189,584 | 0 | 189,584 | 0 |
| Total U.S. Department of Agriculture | | | 189,584 | 13,464 | 189,584 | 13,464 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Passed-Through Ohio Department of Education:</i> | | | | | | |
| Title I Grants to Local Educational Agencies | 045203-C1S1-2006 | 84.010 | 80,669 | | 139,193 | |
| | 045203-C1S1-2007 | 84.010 | 472,401 | | 448,995 | |
| Total Title I Grants to Local Educational Agencies | | | 553,070 | 0 | 588,188 | 0 |
| Special Education: Grants to States | 045203-6BSF-2006 | 84.027 | 27,737 | | 31,047 | |
| | 045203-6BSF-2007 | 84.027 | 348,669 | | 321,329 | |
| Total Special Education: Grants to States | | | 376,406 | 0 | 352,376 | 0 |
| Safe and Drug-Free Schools and Communities: State Grants | 045203-DRS1-2006 | 84.186 | (5,500) | | | |
| | 045203-DRS1-2007 | 84.186 | 13,996 | | 9,573 | |
| Total Safe and Drug-Free Schools Communities: State Grants | | | 8,496 | 0 | 9,573 | 0 |
| Innovative Education Program Strategies | 045203-C2S1-2006 | 84.298 | (317) | | 1,161 | |
| | 045203-C2S1-2007 | 84.298 | 1,156 | | 868 | |
| Total Innovative Education Program Strategies | | | 839 | 0 | 2,029 | 0 |
| Education Technology State Grants | 045203-TJS1-2006 | 84.318 | (2,500) | | 340 | |
| | 045203-TJS1-2007 | 84.318 | 7,363 | | 6,446 | |
| Total Education Technology State Grants | | | 4,863 | 0 | 6,786 | 0 |
| Improving Teacher Quality State Grants | 045203-TRS1-2006 | 84.367 | 12,229 | | 10,191 | |
| | 045203-TRS1-2007 | 84.367 | 97,168 | | 95,775 | |
| Total Improving Teacher Quality State Grants | | | 109,397 | 0 | 105,966 | 0 |
| Total U.S. Department of Education | | | 1,053,071 | 0 | 1,064,918 | 0 |
| Total Federal Awards Receipts and Expenditures | | | <u>\$1,242,655</u> | <u>\$13,464</u> | <u>\$1,254,502</u> | <u>\$13,464</u> |

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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

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

NOTE C – FOOD DONATION PROGRAM

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 non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE D - TRANSFERS

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

| <u>CFDA Number</u> | <u>Pass-through Entity Number</u> | <u>Transfers- In</u> | <u>Transfers-Out</u> |
|------------------------|---------------------------------------|----------------------|----------------------|
| 84.010 | 045203-C1S1-2006 | | \$4,952 |
| 84.010 | 045203-C1S1-2007 | \$4,952 | |
| 84.027 | 045203-6BSF-2006 | | 3,261 |
| 84.027 | 045203-6BSF-2007 | 3,261 | |
| 84.186 | 045203-DRS1-2006 | | 5,500 |
| 84.186 | 045203-DRS1-2007 | 5,500 | |
| 84.298 | 045203-C2S1-2006 | | 316 |
| 84.298 | 045203-C2S1-2007 | 316 | |
| 84.318 | 045203-TJS1-2006 | | 2,500 |
| 84.318 | 045203-TJS1-2007 | 2,500 | |
| 84.367 | 045203-TRS1-2006 | | 1,500 |
| 84.367 | 045203-TRS1-2007 | 1,500 | |
| | Total | \$18,029 | \$18,029 |



Mary Taylor, CPA

Auditor of State

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 West 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 Barnesville Exempted Village School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 14, 2008, where we noted the School District being placed in Fiscal Emergency by the Ohio Department of Education on December 18, 2003 due to declining financial condition. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 14, 2008.

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. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 14, 2008



Mary Taylor, CPA

Auditor of State

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 West 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, 2007. 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 we considered necessary in the circumstances. We believe 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, 2007.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the School District's compliance with those requirements.

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



Mary Taylor, CPA
Auditor of State

February 14, 2008

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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

**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2008**