

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2008

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA
Auditor of State

Village Council
Village of Byesville
P.O. Box 8
Byesville, Ohio 43723

We have reviewed the *Independent Auditors' Report* of the Village of Byesville, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 20, 2010

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**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Byesville
Guernsey County
221 East Main Street
Byesville, Ohio 43723

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Byesville, Guernsey County as of and for the year ended December 31, 2008, which collectively comprised the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Village of Byesville, Guernsey County, as of December 31, 2008, and the respective changes in financial position-cash basis and the respective budgetary comparison for the General Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2010, on our consideration of the Village of Byesville's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 19, 2010

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of the Village of Byesville's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$54,747, or 54.5 percent, a significant change from the prior year. This was due to a increase in loan proceeds and budget reductions.

The Village's general receipts are primarily property taxes, municipal taxes and intergovernmental receipts. These receipts represent respectively 10, 29, and 19 percent of total cash received for governmental activities.

The Village's business-type activities are water and sewer charges. Charges for services increased by \$219,890 or 12 percent due to a increase in rates. The Village's total receipts for business-type activities decreased by \$211,463 due to a decrease in debt receipts.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statements of net assets and statement of activities for 2008 reflect how the Village did financially within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the programs services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function and business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and real estate taxes.

In the statement of net assets and the statement of activities, we divide the government into two types of activities.

Governmental activities. Most of the Village's basic services are reported here, including police, fire, EMS, streets, and parks. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Business-Type Activities. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental fund for 2008 is the General Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the Village reports on the cash basis.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has seven enterprise funds. The major enterprise funds are Water Operating Fund, Sewer Operating Fund, Sewer Enterprise Improvement Fund, Water Debt Service Fund and Sewer Debt Service Fund. The other enterprise funds are combined and presented in total in a single column.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2008 and 2007 on the cash basis:

Table 1
NET ASSETS

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007	Total 2008	Total 2007
Assets:						
Cash	\$ 155,200	\$ 176,177	\$ 100,453	\$ 152,573	\$ 331,377	\$ 253,026
Total Assets	<u>\$ 155,200</u>	<u>\$ 176,177</u>	<u>\$ 100,453</u>	<u>\$ 152,573</u>	<u>\$ 331,377</u>	<u>\$ 253,026</u>
Net Assets						
Restricted For:						
Other Purposes	\$ 39,916	\$ -	\$ 28,877	\$ 16,765	\$ 39,916	\$ 45,642
Debt Service	-	120,365	7,742	135,788	120,365	143,530
Unrestricted	115,284	55,812	63,834	20	171,096	63,854
Total Net Assets	<u>\$ 155,200</u>	<u>\$ 176,177</u>	<u>\$ 100,453</u>	<u>\$ 152,573</u>	<u>\$ 331,377</u>	<u>\$ 253,026</u>

The total net assets of the Village increased by \$78,351. Net assets of governmental activities increased by \$54,747 or 54.5% from 2007 and net assets of business type activities increased by \$23,604 or 15.4%.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Table 2 reflects the changes in net assets in 2008 and 2007:

Table 2
CHANGES IN NET ASSETS

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2007	Business-Type Activities 2007	Totals 2008	Totals 2007
Receipts:						
Program Receipts						
Charges for Services	\$ 72,375	\$ 2,084,396	\$ 54,743	\$ 1,864,506	\$ 2,156,771	\$ 1,919,249
Operating Grants	95,454	-	97,508	9,602	95,454	107,110
Total Program Receipts	167,829	2,084,396	152,251	1,874,108	2,252,225	2,026,359
General Receipts:						
Property and Other Tax	140,807	-	149,384	-	140,807	149,384
Municipal Income Tax	415,866	-	476,830	-	415,866	476,830
Other Taxes	4,417	-	438	-	4,417	438
Grants and Entitlements not Restricted	177,078	-	157,441	-	177,078	157,441
Debt Proceeds	200,000	261,242	45,182	679,545	461,242	724,727
Interest Income	21,835	-	24,424	-	21,835	24,424
Miscellaneous	329,238	104,381	43,868	107,829	433,619	151,697
Total General Receipts	1,289,241	365,623	897,567	787,374	1,654,864	1,684,941
Total Receipts	1,457,070	2,450,019	1,049,818	2,661,482	3,907,089	3,711,300
Disbursements:						
Sec. of Persons & Prop.	430,293	-	484,177	-	430,293	484,177
Public Health Services	370	-	378	-	370	378
Leisure Time Activities	15,417	-	16,746	-	15,417	16,746
Basic Utility Service	50,086	-	51,294	-	50,086	51,294
Transportation	89,293	-	111,094	-	89,293	111,094
General Government	217,513	-	231,769	-	217,513	231,769
Capital Outlay	472,916	-	218,249	-	472,916	218,249
Miscellaneous	339	-	-	-	339	-
Debt Service:						
Principal	120,038	-	62,046	-	120,038	62,046
Interest	6,058	-	6,288	-	6,058	6,288
Water	-	1,582,454	-	1,644,660	1,582,454	1,644,660
Sewer	-	843,961	-	1,179,008	843,961	1,179,008
Total Disbursements	1,402,323	2,426,415	1,182,041	2,823,668	3,828,738	4,005,709
Increase/(Decrease) In Net Assets	54,747	23,604	(132,223)	(162,186)	78,351	(294,409)
Net Assets, January 1	100,453	152,573	232,676	314,759	253,026	547,435
Net Assets, December 31	\$ 155,200	\$ 176,177	\$ 100,453	\$ 152,573	\$ 331,377	\$ 253,026

Program receipts represent 58 % and 55% of total receipts for 2008 and 2007. They are primarily comprised of water and sewer user fees. Intergovernmental receipts such as motor vehicle license and gas tax money, licenses and permits and charges to local governments for fire and EMS services are included.

General receipts represent 42% and 45% of the Village's total receipts for 2008 and 2007. Local taxes represent 34% and 37% of the general receipts for 2008 and 2007. Grants and entitlements make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, mayor, village administrator, solicitor, clerk, and community environment departments as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the parks; Basic Utility Services are costs associated with utilities in the general fund; and Transportation is the cost of maintaining roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village of Byesville. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation, security of persons and property and general government, which account for 6, 31, and 16 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village of Byesville that must be used to provide a specific service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of service and the net cost for 2008 and 2007 is presented in Table 3.

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Security of Persons and Property	\$ 430,293	\$ 366,293	\$ 484,177	\$ 442,177
Public Health Services	370	370	378	378
Leisure Time Activities	15,417	15,417	16,746	16,746
Community Environment	-	(1,220)	-	(760)
Basic Utility Services	50,086	50,086	51,294	51,294
Transportation	89,293	(6,161)	111,094	13,586
General Government	217,513	210,358	231,769	219,786
Miscellaneous	339	339	-	-
Debt Service - Principal	120,038	120,038	62,046	62,046
Debt Service - Interest	6,058	6,058	6,288	6,288
Capital Outlay	472,916	472,916	218,249	218,249
Total Expenses	<u>\$ 1,402,323</u>	<u>\$ 1,234,494</u>	<u>\$ 1,182,041</u>	<u>\$ 1,029,790</u>

The dependence upon property and income tax is apparent as over 45% and 61% for 2008 and 2007 of governmental activities are supported through these general receipts.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Business-Type Activities

The water/sewer operations of the Village of Byesville are relatively huge and routinely reports receipts and cash disbursements that are not relatively equal. The sewer infrastructure is beginning to age and the Village of Byesville in 2006 has begun the improvement of the wastewater treatment plant after receiving notification from the Ohio EPA that improvements are necessary to satisfy new sewer plant standards.

The Government's Funds

Total governmental funds had receipts of \$1,604,274 and \$1,199,258 for 2008 and 2007 and disbursements of \$1,549,527 and \$1,331,481 for 2008 and 2007. The most significant change from the prior year in receipts is the increase in miscellaneous receipts. The increase in disbursements is a increase in capital outlay.

General Fund receipts were not less than disbursements indicating the General Fund is in a surplus in its spending situation.

Fund Budgeting Highlights

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

During 2008 and 2007, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts for 2008 and 2007. The difference between final budgeted receipts and actual receipts was not significant after council certified to amend resources.

Final budgeted disbursements for 2008 and 2007 were \$978,185 and \$1,004,397. Actual disbursements for 2008 and 2007 were \$882,626 and \$942,724. The Village kept spending close to budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village of Byesville does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

Debt Administration

At December 31, 2008, the Village had \$12,132,571 in loans with the Ohio Water Development Authority, with \$375,750 due within one year for improvements to water and sewer utilities. The Village had \$307,787 in loans with the Ohio Public Works Commission, with \$33,564 due within one year for improvements to water and sewer utilities. The Village had \$173,100 in loans with the USDA Rural Development, with \$4,400 due within one year for improvements to water and sewer utilities. The Village had Mortgage Revenue Bonds in the amount of \$150,000 with \$35,000 due in one year for improvements to water and sewer utilities. The Village has General Obligation Bonds in the amount of \$200,000 with \$40,000 due within one year for street repairs and paying off of previous debt. These bonds are paid from governmental activities. The Village has a water truck loan in the amount of \$18,000 with \$3,334 due in one year. This is paid from business-type activities. The Village entered has a lease purchase agreement for a new police car which has a balance of \$15,038 as of December 31, 2008 with \$15,038 due in one year. The lease is paid from governmental activities. See footnote #10 for more detail.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and we are currently trying to increase the tax rate to help cover general expenses. The local industries have increased over the last five years and we predict that the increase will stay steady, if not grow even more. We have recently bought property in the Village and have a long-term goal of building a new Village hall.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tracey Cain, Clerk-Treasurer, Village of Byesville, 221 East Main Street, Byesville, Ohio 43723.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
December 31, 2008**

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 155,200	\$ 176,177	\$ 331,377
Total Assets	\$ 155,200	\$ 176,177	\$ 331,377
NET ASSETS:			
Restricted for:			
Other Purposes	39,916	-	39,916
Debt Service	-	120,365	120,365
Unrestricted	115,284	55,812	171,096
Total Net Assets	\$ 155,200	\$ 176,177	\$ 331,377

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2008**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Equity in Pooled Cash and cash Equivalents	\$ 115,284	\$ 39,916	\$ 155,200
Total Assets	\$ 115,284	\$ 39,916	\$ 155,200
 Fund Balances:			
Reserved:			
Reserved for Encumbrances	\$ 2,135	\$ 49	\$ 2,184
Unreserved:			
General Fund	113,149	-	113,149
Debt Service	-	-	-
Special Revenue Fund	-	39,867	39,867
Total Fund Balances	\$ 115,284	\$ 39,916	\$ 155,200

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS			
Property and Other Local Taxes	\$ 103,170	\$ 42,054	\$ 145,224
Municipal Income Tax	415,866	-	415,866
Intergovernmental	168,934	103,598	272,532
Special Assessment	-	-	-
Charges for Services	-	64,000	64,000
Fines, Licenses, Permits	8,375	-	8,375
Earnings on Investments	21,398	437	21,835
Miscellaneous	214,198	115,040	329,238
	931,941	325,129	1,257,070
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	329,755	100,538	430,293
Public Health Services	370	-	370
Leisure Time Activities	-	15,417	15,417
Basic Utility Services	50,086	-	50,086
Transportation	-	89,293	89,293
General Government	216,171	1,342	217,513
Debt Service			
Principal Retirement	-	120,038	120,038
Interest and Fiscal Charges	-	6,058	6,058
Capital Outlay	136,566	336,350	472,916
	732,948	669,036	1,401,984
Excess of Receipts Over (Under) Disbursements	198,993	(343,907)	(144,914)
Other Cash Financing Sources (Uses)			
Transfers In	-	147,204	147,204
Debt Proceeds	-	200,000	200,000
Other Financing Uses	(339)	-	(339)
Transfers Out	(147,204)	-	(147,204)
Total Other Financing Sources (Uses)	(147,543)	347,204	199,661
Net Change in Fund Balance	51,450	3,297	54,747
Cash Fund Balances Beginning of Year	63,834	36,619	100,453
Cash Fund Balances End of Year	\$ 115,284	\$ 39,916	\$ 155,200

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
CASH RECEIPTS				
Property and Other Local Taxes	\$ 83,428	\$ 83,428	\$ 103,170	\$ 19,742
Municipal Income Tax	465,000	465,000	415,866	(49,134)
Intergovernmental	121,573	121,573	168,934	47,361
Special Assessments	400	400	-	(400)
Fines, Licenses, Permits	11,950	11,950	8,375	(3,575)
Earnings on Investments	22,000	22,000	21,398	(602)
Miscellaneous	10,000	210,000	214,198	4,198
Total Receipts	<u>714,351</u>	<u>914,351</u>	<u>931,941</u>	<u>17,590</u>
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	387,188	377,188	331,374	45,814
Public Health Services	440	440	370	70
Basic Utility Services	52,771	52,771	50,086	2,685
General Government	219,950	248,330	216,687	31,643
Debt Service				
Principal	-	-	-	-
Capital Outlay	26,986	151,670	136,566	15,104
Total Disbursements	<u>687,335</u>	<u>830,399</u>	<u>735,083</u>	<u>95,316</u>
Excess of Receipts Over (Under) Disbursements	27,016	83,952	196,858	112,906
Other Cash Financing Sources (Uses)				
Other Financing Uses	-	(582)	(339)	243
Transfers Out	(90,850)	(147,204)	(147,204)	-
Total Other Financing Sources (Uses)	<u>(90,850)</u>	<u>(147,786)</u>	<u>(147,543)</u>	<u>243</u>
Net Change in Fund Balance	(63,834)	(63,834)	49,315	113,149
Cash Fund Balances Beginning of Year	62,047	62,047	62,047	-
Prior Year Encumbrances Appropriated	<u>1,787</u>	<u>1,787</u>	<u>1,787</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,149</u>	<u>\$ 113,149</u>

See notes to basic financial statements.

VILLAGE OF BYESVILLE
GUERNSEY COUNTY

STATEMENT OF FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
December 31, 2008

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Sewer Enterprise Improvement</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS:							
Equity in Pooled Cash and cash Equivalents	\$ 1,599	\$ 53,660	\$ 20	\$ 24,434	\$ 80,719	\$ 15,745	\$ 176,177
Total Assets	<u>\$ 1,599</u>	<u>\$ 53,660</u>	<u>\$ 20</u>	<u>\$ 24,434</u>	<u>\$ 80,719</u>	<u>\$ 15,745</u>	<u>\$ 176,177</u>
Net Assets:							
Restricted for:							
Debt Service	-	-	-	24,434	80,719	15,212	120,365
Other Purposes	1,599	53,660	20	-	-	533	55,812
Total Net Assets	<u>\$ 1,599</u>	<u>\$ 53,660</u>	<u>\$ 20</u>	<u>\$ 24,434</u>	<u>\$ 80,719</u>	<u>\$ 15,745</u>	<u>\$ 176,177</u>

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Sewer Enterprise Improvement</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>	<u>Other Enterprise Funds</u>	<u>Enterprise Total</u>
OPERATING CASH RECEIPTS							
Charges for Services	\$ 934,983	\$ 325,819	\$ -	\$ 522,305	\$ 232,296	\$ 68,993	\$ 2,084,396
Total Operating Receipts	<u>934,983</u>	<u>325,819</u>	<u>-</u>	<u>522,305</u>	<u>232,296</u>	<u>68,993</u>	<u>2,084,396</u>
OPERATING CASH DISBURSEMENTS:							
Personal Services	384,348	109,534	-	-	-	31,380	525,262
Employee Fringe Benefits	179,960	91,567	-	-	-	16,507	288,034
Contractual Services	197,447	76,142	229,774	-	-	4,812	508,175
Supplies and Materials	147,884	36,091	-	-	-	7,958	191,933
Other	6,818	3,312	-	-	-	-	10,130
Total Operating Disbursements	<u>916,457</u>	<u>316,646</u>	<u>229,774</u>	<u>-</u>	<u>-</u>	<u>60,657</u>	<u>1,523,534</u>
Operating Income (Loss)	18,526	9,173	(229,774)	522,305	232,296	8,336	560,862
Non-operating Cash Receipts (Disbursements)							
Intergovernmental	-	-	-	-	-	-	-
Debt Proceeds	-	-	243,242	-	-	18,000	261,242
Miscellaneous	29,339	51,267	-	-	-	1,098	81,704
Capital Outlay	(72,838)	(18,512)	(13,468)	-	-	(57,818)	(162,636)
Other Financing Sources	19,366	3,311	-	-	-	-	22,677
Other Financing Uses	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	(394,844)	(97,720)	-	(492,564)
Interest	-	-	-	(180,545)	(67,136)	-	(247,681)
Total non-operating Cash Receipts (Disbursements)	<u>(24,133)</u>	<u>36,066</u>	<u>229,774</u>	<u>(575,389)</u>	<u>(164,856)</u>	<u>(38,720)</u>	<u>(537,258)</u>
Change in Net Assets	(5,607)	45,239	-	(53,084)	67,440	(30,384)	23,604
Cash Fund Balances Beginning of Year	<u>7,206</u>	<u>8,421</u>	<u>20</u>	<u>77,518</u>	<u>13,279</u>	<u>46,129</u>	<u>152,573</u>
Cash Fund Balances End of Year	<u>\$ 1,599</u>	<u>\$ 53,660</u>	<u>\$ 20</u>	<u>\$ 24,434</u>	<u>\$ 80,719</u>	<u>\$ 15,745</u>	<u>\$ 176,177</u>

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Village of Byesville, Guernsey County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A six-member Council elected at large for four-year terms directs the Village. The Mayor is elected to a four-year term, and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police and fire services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio ("PEP") public entity risk sharing pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio ("PEP"), an risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. Member governments pay annual contributions to fund the Pool. The Pool pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible

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

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial 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 Village as a whole. These statements include the financial activities of the primary government and distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service.

The statement of net assets present the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the programs goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include cost of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's has one major governmental fund, which is the General Fund.

- The General Fund 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village’s major enterprise funds are the Water Operating Fund, the Sewer Operating Fund, Sewer Improvement Fund and the Water Debt Fund.

Water Operating Fund – The water operating fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Operating Fund – The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Debt Fund - The water debt fund accounts for the provision of water to the residents and commercial users located within the Village. These charges are used to pay off the debt incurred to provide these services.

Sewer Fund - The sewer debt fund accounts for the provision of sewer to the residents and commercial users located within the Village. These charges are used to pay off the debt incurred to provide these services.

Sewer Improvement Fund – This water improvement fund accounts for the provision of sewer to the residents and commercial users located within the Village. These charges are used for improvements to the water system.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of 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 amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and set limits on disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, function and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained throughout Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$21,398.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent all funds except for general fund. The Water Reserve Fund holds a restricted amount of \$15,212, which is required by USDA to pay off the final loan payment with them. This is included in restricted for Debt Service.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9 the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net 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. Net assets restricted for other purposes include resources restricted for debt payments, capital expenditures such as land and land improvements, street maintenance, and police and fire equipment.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$2,135 for the General Fund.

4. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village 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 Council 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 Village 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;

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (Continued)

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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution, to secure the repayment of all public monies deposited with the institution. Advantage Bank is the financial institution for the Village.

At year end, the Village did not have any undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$210,775 of the Village's bank balance of \$460,775 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. The Village 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 Village 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.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2008, the Village's investment was a sweep agreement with Advantage Bank, which is in an internal investment pool. This is included in the cash and cash equivalents shown in the financial statements.

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the Village' investment policy requires that the investment portfolio remain sufficiently liquid to enable the Village to meet all operating requirements by investing in adequate amount of short-term investments in the portfolio to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk

The underlying security of the repurchase agreement is Federal Home Loan Mortgage Corporation Notes, which carry a credit rating of AAA by Moody's. The Village's investment policy limits investments to those authorized by State statute. State statute only addresses credit risk by limiting the investments that may be purchased to those offered by specifically identified issuers.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes related to the repurchase agreement are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk

The Village places no limit on the amount it may invest in any one issuer. Of the Village's total investments, 100 percent is invested in a sweep agreement.

5. INCOME TAXES

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstance, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 31, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 6.25 percent of true value for capital assets and 6.25 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$4.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential	\$ 16,666,850
Agriculture	-
Commercial/Industrial/Mineral	9,481,110
Public Utility Property	
Real	1,520
Personal	939,330
Tangible Personal Property	2,088,140
Total Assessed Value	<u>\$ 29,176,950</u>

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Flood Insurance for the water and sewer treatment plant.

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (“PEP”), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, up to \$10,000,000 from the General Reinsurance Corporation, through contracts with PEP..

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January1, 2006) or \$3,000,000 (for claims after January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available).

	2007	2006
Assets	\$ 37,560,071	\$ 36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained earnings	\$ 20,219,246	\$ 19,384,290
<hr/>		
Property Coverage	2006	2005
Assets	\$ 5,125,326	\$ 4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	\$ 4,262,163	\$ 3,375,087

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$60,000. This payable includes subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussion with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contrast, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The Village contributed \$30,000 and \$25,000 for 2008 and 2007 respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLANS

a. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The employer contribution rate for pension benefits for 2008 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 17.40 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$92,419, \$90,421, and \$89,015, respectively. The full amount has been contributed for 2008, 2007 and 2006.

b. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.50 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police and firefighters for the years ended December 31, 2008, 2007, and 2006 were \$39,479, \$42,807, and \$35,122, respectively. The full amount has been contributed for 2008, 2007 and 2006.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

9. POSTEMPLOYMENT BENEFITS

a. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State Statute. The portion of employer contributions in 2008, for all employers, allocated to healthcare was 7.0%.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 4 percent annually for the next seven years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 363,503. Actual Village contributions for 2008 and 2007, which were used to fund post employment benefits, were \$46,200 and \$35,907, respectively. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which allowed additional funds to be allocated to the health care plan

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

9. POSTEMPLOYMENT BENEFITS (Continued)

b. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost sharing multiple-employer defined postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefits check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefits (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows by does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 east Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employers units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village's actual contributions for 2008 and 2007 that were used to fund post-employment benefits were \$13,666 and \$14,818, respectfully, for police.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. DEBT

The Village's long -term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance January 1 2008	Additions	Deductions	Balance December 31 2008	Amount Due Within One Year
<u>Governmental Activities</u>						
GO Bond-Paving	4.77%	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
Go Bonds - Street	4.20%	-	200,000	-	200,000	40,000
Cruiser Lease	6.90%	29,106	-	14,068	15,038	15,038
<u>Business-Type Activities</u>						
OWDA Loan #2951	6.64%	\$ 86,872	\$ -	\$ 33,197	\$ 53,675	\$ 35,402
OWDA Loan #3553	2.00%	148,374	-	6,290	142,084	6,417
OWDA Loan #3563	2.00%	226,714	-	9,611	217,103	9,804
USDA Water Loan 97-04	6.00%	56,400	-	1,300	55,100	1,400
USDA Water Loan 97-02	6.00%	120,800	-	2,800	118,000	3,000
OPWC #CT42D	0.00%	180,892	-	10,644	170,248	10,644
OPWC #CN937	0.00%	33,300	-	3,700	29,600	3,700
OPWC #CN632	0.00%	12,093	-	4,836	7,257	4,836
OPWC #CN821	0.00%	115,066	-	14,384	100,682	14,384
OWDA Loan #3672	1.50%	2,618,999	-	79,990	2,539,009	82,413
OWDA Loan #3785	1.50%	326,665	-	17,588	309,077	17,853
OWDA Loan #3906	1.50%	892,683	-	27,041	865,642	27,448
OWDA Loan #3907	1.50%	467,075	-	14,149	452,926	14,362
OWDA Loan #3924	1.50%	446,797	-	13,534	433,263	13,738
OWDA Loan #3942	3.85%	3,197,233	-	69,043	3,128,190	71,727
OWDA Loan #3943	1.50%	2,792,653	-	84,595	2,708,058	85,869
OWDA Loan #4397	2.00%	389,314	-	10,018	379,296	10,717
OWDA Loan #4601	4.82%	709,506	243,242	48,500	904,248	-
G.O. Bonds – Nat City	2.95%	37,314	-	37,314	-	-
Water Truck Loan	4.00%	-	18,000	-	18,000	3,334
Mort. Rev. Bonds	3.1/6.6%	180,000	-	30,000	150,000	35,000
Total		\$ 13,147,856	\$ 461,242	\$ 612,602	\$ 13,147,856	\$ 507,086

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. DEBT (CONTINUED)

The Ohio Water Development Authority (OWDA) loans and the USDA loans were used for improvements to the Village's utility systems that were mandated by Ohio Environmental Protection Agency regulations. The loans will be repaid in semiannual installments over 20 to 30 years. The loans are collateralized by water and sewer receipts.

The Ohio Public Works Commission loans were used for the improvements to the Village's utility systems that were mandated by Ohio Environmental Protection Agency regulations. The loans will be repaid in semiannual installments over 15 to 25 years. The loans are collateralized by water and sewer receipts.

The Sewer Mortgage Revenue Bonds were issued to finance sewer system capital improvements. The bonds will be repaid in semiannual installments of interest and annual installments of principal over 20 years. The bonds are collateralized by sewer receipts.

The General Obligation Street Bonds were issued in 2008 to finance the Village's repairs of Village streets and reduction of previously issued bonds. The bonds will be repaid in annual installments over five years. The bonds are collateralized solely by the Village's taxing authority.

The Village entered into a lease-purchase agreement with Ford Credit to acquire a police cruiser for police business. The lease will be paid in three annual payments with interest calculated at 6.90%.

For the following OWDA projects, repayments terms have not been developed, as the projects have not been completed or true amortization schedules have not been created yet by OWDA. However, as of December 31, 2008, the Village is liable for the amounts drawn. These loans are not included in the amortization schedules that follow. These loans will be included in the amortization schedule when completed.

At December 31, 2008, the Village has drawn \$976,998 on a 1,062,030 loan with the Ohio Water Development Authority. The project related to the design of a wastewater treatment plant.

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

Year	OWDA Loans		OPWC Loans	USDA Loans	
	Principal	Interest	Principal	Principal	Interest
2009	\$ 375,750	\$ 246,668	\$ 33,564	\$ 4,400	\$ 10,386
2010	365,590	237,345	31,149	4,600	10,122
2011	354,460	228,769	28,728	4,900	9,846
2012	361,781	221,671	28,728	5,100	9,552
2013	369,288	214,263	28,728	5,400	9,246
2014-2018	1,965,896	951,351	93,082	32,700	40,908
2019-2023	2,184,748	732,510	53,220	43,700	29,856
2024-2028	2,294,749	486,621	10,588	58,400	15,084
2029-2033	2,469,250	219,270	-	13,900	834
2034-2038	486,811	9,046	-	-	-
Total	<u>\$ 11,228,323</u>	<u>\$ 3,547,323</u>	<u>\$ 307,787</u>	<u>\$ 173,100</u>	<u>\$ 135,834</u>

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. DEBT (Continued)

Year	General Obligation Street Bonds		Mortgage Revenue Bonds		Water Truck Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 40,000	\$ 8,400	\$ 35,000	\$ 9,900	\$ 3,334	\$ 716
2010	40,000	6,720	35,000	7,590	3,463	586
2011	40,000	5,040	40,000	5,280	3,602	448
2012	40,000	3,360	40,000	2,640	3,746	304
2013	40,000	1,680	-	-	3,855	154
2014-2018	-	-	-	-	-	-
Total	<u>\$ 200,000</u>	<u>\$ 25,200</u>	<u>\$ 150,000</u>	<u>\$ 25,410</u>	<u>\$ 18,000</u>	<u>\$ 2,208</u>

The police cruiser lease has one payment to be made in 2009 with a principal payment of \$15,038 and interest of \$1,038

11. INTERFUND TRANSFERS

During 2008 the following transfers were made:

Transfers from the General Fund to:	
Parks & Recreation Fund	\$ 20,850
Street Construction Fund	8,000
Street Debt Service Fund	<u>118,354</u>
Total Transfers from the General Fund	<u>\$ 147,204</u>

Transfers were made out of the Village's General Fund to subsidize debt service payments and parks and recreation in 2008.

12. CONTINGENT LIABILITIES

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

13. COMPLIANCE AND ACCOUNTABILITY

Contrary to Ohio Revised Code Section 5705.41(D), the Village made disbursements prior to being certified.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Village of Byesville
Guernsey County
221 East Main Street
Byesville, Ohio 43723

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Byesville as of and for the years ended December 31, 2008, and have issued our report thereon dated February 19, 2010, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Byesville's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 Village'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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purposes 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 financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Byesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as items 2008-01. Also, we noted certain immaterial instances of noncompliance that we have reported to the management of Village of Byesville in a separate letter dated February 19, 2010.

Village of Byesville's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Byesville response and, accordingly, we express no opinion on it.

This report is intended for the information of the Village's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
February 19, 2010

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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

FINDING NUMBER 2008-01

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of Clerk of the subdivision. The Clerk must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 24.0% in 2008 of the expenditures tested.

The Clerk should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Village can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Clerk to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk without subsequent authorization from the Council. However, then and now certificates issued by the Clerk over \$3,000, must be authorized by the Council within thirty days after payment.

Client Response: We agree with finding and will try to improve in the future.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	ORC 5705.41(D) No expenditure of money shall be made unless there is a attached certificate of fiscal officer.	No	Not Corrected, repeated in GAGAS letter as Finding 2008-01



Mary Taylor, CPA
Auditor of State

VILLAGE OF BYESVILLE

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**