

**VILLAGE OF BYESVILLE**



**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**





STATE OF OHIO  
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Village of Byesville, Guernsey County, prepared by Rea & Associates, Inc., for the audit period January 1, 2000 through December 31, 2001. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

June 6, 2002

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**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**DECEMBER 31, 2001 AND 2000**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

April 12, 2002

Mayor and Members of Council  
Village of Byesville  
Byesville, OH 43964

## Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Byesville (the "Village") as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances and reserves for encumbrances of the Village of Byesville as of December 31, 2001 and 2000, and its combined cash receipts and combined fund disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 12, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Mayor, Village Council, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
<b>RECEIPTS:</b>					
Taxes	\$ 556,321	\$ 39,715	\$ 0	\$ 0	\$ 596,036
Intergovernmental revenue	175,015	192,230	0	31,200	398,445
Charges for services	0	55,000	0	0	55,000
Fines, licenses and permits	9,478	2,250	0	0	11,728
Interest	21,729	443	0	0	22,172
Miscellaneous	98,712	12,399	0	0	111,111
	<i>Total revenue receipts</i>	861,255	302,037	0	31,200
			0	31,200	1,194,492
<b>DISBURSEMENTS:</b>					
Current:					
Security of persons	351,155	82,404	0	0	433,559
Public Health Service	557	0	0	0	557
Leisure time activities	0	19,561	0	0	19,561
Basic utility services	76,432	0	0	0	76,432
Transportation	0	128,472	0	0	128,472
General government	213,398	105,719	0	40,100	359,217
Capital outlay	128,874	43,377	0	8,900	181,151
Debt Service:					
Principal	0	0	66,727	0	66,727
Interest	0	0	13,563	0	13,563
	<i>Total disbursements</i>	770,416	379,533	80,290	49,000
			80,290	49,000	1,279,239
<i>Excess of receipts over (under) disbursements</i>	90,839	(77,496)	(80,290)	(17,800)	(84,747)
Transfers-in	0	66,540	80,500	0	147,040
Transfers-out	(147,040)	0	0	0	(147,040)
<i>Total other financing sources (uses)</i>	(147,040)	66,540	80,500	0	0
			80,500	0	0
<i>Excess of receipts and other financing sources over (under) disbursements and other uses</i>	(56,201)	(10,956)	210	(17,800)	(84,747)
<i>FUND BALANCES, January 1</i>	200,896	190,252	1,205	17,800	410,153
<i>FUND BALANCES, December 31</i>	\$ 144,695	\$ 179,296	\$ 1,415	\$ 0	\$ 325,406
<i>Reserve for Encumbrances</i>	\$ 30,259	\$ 0	\$ 0	\$ 0	\$ 30,259

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
<b>RECEIPTS:</b>					
Taxes	\$ 542,619	\$ 38,780	\$ 0	\$ 0	\$ 581,399
Intergovernmental revenue	264,262	243,108	0	47,000	554,370
Charges for services	0	55,000	0	0	55,000
Fines, licenses and permits	18,178	0	0	0	18,178
Interest	47,154	960	0	0	48,114
Miscellaneous	14,480	25,879	0	0	40,359
<i>Total revenue receipts</i>	886,693	363,727	0	47,000	1,297,420
<b>DISBURSEMENTS:</b>					
Current:					
Security of persons	399,807	112,147	0	0	511,954
Public Health Service	546	0	0	0	546
Leisure time activities	0	16,358	0	0	16,358
Basic utility services	21,183	0	0	0	21,183
Transportation	266	126,718	0	0	126,984
General government	194,190	46,492	0	46,492	287,174
Capital outlay	247,977	154,960	0	1,022	403,959
Debt Service:					
Principal	0	0	39,429	0	39,429
Interest	0	0	7,406	0	7,406
<i>Total disbursements</i>	863,969	456,675	46,835	47,514	1,414,993
<i>Excess of receipts over (under) disbursements</i>	22,724	(92,948)	(46,835)	(514)	(117,573)
Transfers-in	0	140,000	28,458	0	168,458
Transfers-out	(168,458)	0	0	0	(168,458)
Sale of Bonds	135,800	0	0	0	135,800
<i>Total other financing sources (uses)</i>	(32,658)	140,000	28,458	0	135,800
<i>Excess of receipts and other financing sources over (under) disbursements and other uses</i>	(9,934)	47,052	(18,377)	(514)	18,227
<i>FUND BALANCES, January 1</i>	210,830	143,200	19,582	18,314	391,926
<i>FUND BALANCES, December 31</i>	<u>\$ 200,896</u>	<u>\$ 190,252</u>	<u>\$ 1,205</u>	<u>\$ 17,800</u>	<u>\$ 410,153</u>
<i>Reserve for Encumbrances</i>	<u>\$ 92,480</u>	<u>\$ 1,301</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,781</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Enterprise Funds
<b>OPERATING RECEIPTS:</b>	
Charges for services	\$ 1,178,345
Other/Miscellaneous	87,893
	1,266,238
<i>Total operating receipts</i>	
<b>OPERATING DISBURSEMENTS:</b>	
Personal services	582,619
Contractual services	224,390
Material and supplies	179,284
Capital outlay	123,960
	1,110,253
<i>Total operating disbursements</i>	
<i>Excess operating receipts over operating disbursements</i>	
	155,985
<b>NON-OPERATING RECEIPTS:</b>	
Loan Proceeds	31,951
	31,951
<i>Total non-operating receipts</i>	
<b>NON-OPERATING DISBURSEMENTS:</b>	
Debt service:	
Principal retirement	92,739
Interest and fiscal charges	52,979
	145,718
<i>Total non-operating disbursements</i>	
<i>Excess of receipts over disbursements</i>	
	42,218
<i>FUND BALANCE, January 1</i>	
	499,892
<i>FUND BALANCE, December 31</i>	
	\$ 542,110
<i>Reserve for Encumbrances</i>	
	\$ 2,500

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Enterprise Funds
<b>OPERATING RECEIPTS:</b>	
Charges for services	\$ 1,100,503
Other/Miscellaneous	52,865
	1,153,368
<i>Total operating receipts</i>	
<b>OPERATING DISBURSEMENTS:</b>	
Personal services	475,893
Contractual services	232,511
Material and supplies	136,530
Capital outlay	251,690
	1,096,624
<i>Total operating disbursements</i>	
<i>Excess operating receipts over operating disbursements</i>	
	56,744
<b>NON-OPERATING RECEIPTS:</b>	
Proceeds for Sale of Bonds	82,200
Loan Proceeds	3,027
	85,227
<i>Total non-operating receipts</i>	
<b>NON-OPERATING DISBURSEMENTS:</b>	
Debt service:	
Principal retirement	82,875
Interest and fiscal charges	66,316
	149,191
<i>Total non-operating disbursements</i>	
<i>Excess of receipts over disbursements</i>	
	(7,220)
<i>FUND BALANCE, January 1</i>	507,112
<i>FUND BALANCE, December 31</i>	\$ 499,892
<i>Reserve for Encumbrances</i>	\$ 3,750

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Byesville is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council-mayor form of government.

The Village provides the following services: police and fire protection, water and wastewater utilities, recreation, street maintenance, and development.

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

B. BASIS OF ACCOUNTING

The Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. CASH AND INVESTMENTS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

Special revenue funds account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village has a debt service fund used primarily to retire debt for street repairs and equipment.

Capital Projects Funds

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

E. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ 0	\$ 54,045
Overnight sweep account: Repurchase Agreement	<u>867,516</u>	<u>856,000</u>
Total deposits and investments	<u>\$ 867,516</u>	<u>\$ 910,045</u>

Repurchase agreements securities are purchased from and sold back to the bank on a daily basis.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 882,668	\$ 861,255	\$ (21,413)
Special Revenue	429,041	368,577	(60,464)
Debt Service	80,500	80,500	0
Capital Projects	0	31,200	31,200
Enterprise	<u>1,103,000</u>	<u>1,298,189</u>	<u>243,189</u>
Total	<u>\$ 2,495,209</u>	<u>\$ 2,639,721</u>	<u>\$ 192,512</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,048,743	\$ 947,715	\$ 101,028
Special Revenue	430,201	379,533	50,668
Debt Service	80,500	80,290	210
Capital Projects	17,800	49,000	(31,200)
Enterprise	<u>1,424,004</u>	<u>1,258,471</u>	<u>165,533</u>
Total	<u>\$ 3,001,248</u>	<u>\$ 2,715,009</u>	<u>\$ 286,239</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 967,153	\$ 1,022,493	\$ 55,340
Special Revenue	503,495	503,727	232
Debt Service	8,000	28,458	20,458
Capital Projects	91,374	47,000	(44,374)
Enterprise	<u>1,078,942</u>	<u>1,238,595</u>	<u>159,653</u>
Total	<u>\$ 2,648,964</u>	<u>\$ 2,840,273</u>	<u>\$ 191,309</u>

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

NOTE 3: BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,013,472	\$ 1,124,907	\$ (111,435)
Special Revenue	512,952	457,975	54,977
Debt Service	27,582	46,835	(19,253)
Capital Projects	109,689	47,513	62,176
Enterprise	<u>1,500,175</u>	<u>1,249,565</u>	<u>250,610</u>
Total	<u>\$ 3,163,870</u>	<u>\$ 2,926,795</u>	<u>\$ 237,075</u>

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

NOTE 5: DEBT OBLIGATIONS

Debt outstanding at December 31, 2001 consisted of the following:

	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Ohio Water Development Authority Loans	\$ 269,380	\$ 6.64/0%	7/1/2010
Rural Economic Community Development Service Loans (Formerly FmHA)	197,300	6%	1/1/2029
Ohio Public Works Commission Loans	317,955	0%	1/1/2017
General Obligation Bonds – Sewer Improvement	340,000	3.1/6.6%	12/1/2012
General Obligation Bonds – Vehicle Acquisition	176,113	5.42/6.0%	5/1/2005
General Obligation Bonds – Building Acquisition	60,000	6.2%	4/1/2005

The OWDA and RECDS loans were used for improvements to the Village's utility systems. Water and sewer revenues are being used to retire these debts.

The Ohio Public Works Commission loans relate to water and sewer system improvements. The loans will be repaid in semi-annual installments over 15 to 25 years.

The Sewer Mortgage Revenue Bonds were issued to finance sewer system capital improvements. These will be repaid from sewer system revenues.

The General Obligation Vehicle Acquisition Bonds were issued to finance the purchase of a fire truck, pick-up truck, dump truck and police cruiser. In 2000 an additional amount of \$143,000 was issued to purchase five new vehicles for the street, water, and sewer departments.

The General Obligation Building Acquisition Bonds were issued to finance the purchase of a building currently used to house the Police Department.

The Village was awarded a \$240,000 loan from OPWC in 2001. As of December 31, 2001, the Village had drawn down \$19,978 for engineering costs on the Main Street Sewer/Water Line Replacement Project. The debt repayment schedule will not be available until the entire loan amount is drawn down, therefore, this balance is not included in the following debt amortization schedule.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

NOTE 5: DEBT OBLIGATIONS (Continued)

The Village has received commitments from the Ohio Water Development Authority for two additional loans relating to the Main Street Sewer/Water Line Replacement Project. These loans are in the amount of \$180,000 and \$280,000 to be repaid from sewer and water operating revenues, respectively. These loans will be repaid over a 25-year period at 2.0% interest. The Village had not drawn down any of these loans as of December 31, 2001.

The annual requirements to amortize the long-term debt outstanding as of December 31, 2001, including interest payments in the amount of \$479,401 are scheduled as follows:

Year	Sewer Mortgage Revenue Bonds	OWDA Loans	OPWC Loans	RECDS Loans	Building Acquisition Bonds	G.O. Vehicle Acquisition Bonds	Total
2002	\$ 47,227	\$ 41,466	\$ 23,043	\$ 14,738	\$ 18,600	\$ 54,237	\$ 199,311
2003	45,790	41,466	23,044	14,764	17,700	51,685	194,449
2004	44,120	41,466	23,044	14,678	16,800	49,133	189,241
2005	42,490	41,466	23,044	14,686	15,900	46,581	184,167
2006	45,840	41,466	23,044	14,782	0	0	125,132
Thereafter	<u>261,150</u>	<u>146,381</u>	<u>182,014</u>	<u>338,326</u>	<u>0</u>	<u>0</u>	<u>927,871</u>
Totals	<u>\$ 486,617</u>	<u>\$ 353,711</u>	<u>\$ 297,233</u>	<u>\$ 411,974</u>	<u>\$ 69,000</u>	<u>\$ 201,636</u>	<u>\$ 1,820,171</u>

NOTE 6: RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

NOTE 7: LOCAL INCOME TAX

This locally levied tax of 1% applied to gross salaries, wages and other personal service compensation earned by residents both in and out of Byesville and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to net income to business organizations conducted with Byesville. Tax receipts are credited to the General Fund of the Village and amounted to \$460,046 and \$453,556 for 2001 and 2000, respectively.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

NOTE 8: RISK MANAGEMENT

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of losses up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

General Liability and Casualty  
Public Officials' Liability  
Vehicles

The Village also provides health insurance, life insurance, dental, vision, and prescription coverage to full-time employees through private carriers.

NOTE 9: COMPLIANCE

Contrary to Section 5705.41(B), Revised Code, the Village had expenditures exceeding appropriations in the following fund types:

2001:			
Special Revenue Fund Type:	Parks and Recreation	\$	1,583
	State Grant		31,200
	State HUD Grant		65,697
Capital Projects Fund Type:	Flood Mitigation		31,200
2000:			
General Fund		\$	111,435
Special Revenue Fund Type:	FEMA		124,024
Debt Service Fund Type:	Street Debt		19,253

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances. The Village had the following unrecorded purchase commitments at December 31, 2001:

Enterprise Fund Types:			
Water		\$	12,432
Sewer			52,853

The unrecorded purchase commitments are not included in the outstanding encumbrances and total expenditures in Note 3.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

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NOTE 10: CONTRACTUAL COMMITMENTS

The Village had the following contractual commitments as of December 31, 2001:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance 12/31/2001</u>
W.E. Quicksall - engineering contract for Main St. Sewer/Water Line Replacement project	\$ 135,000	\$ 84,202	\$ 50,798
Zemba Brothers - construction contract for Main St. Sewer/Water Line Replacement project	662,184	0	662,184

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 12, 2002

Mayor and Members of Council  
Village of Byesville  
Byesville, OH 43964

## Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Village of Byesville (the "Village") as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 12, 2002. 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.

### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 12, 2002.

### Ohio Revised Code Noncompliance

1. Ohio Rev. Code Section 5705.41(B) requires that no taxing district is to expend money unless it has been appropriated.

In 2000 the Village had expenditures exceeding appropriations in the General Fund, the FEMA Fund and the Street Debt Fund in the amounts of \$111,435, \$124,024 and \$19,253, respectively. In 2001 the Parks and Recreation Fund, the State Grant Fund, the State Grand HUD Fund, and the Flood Mitigation Fund had expenditures exceeding appropriations by \$1,583, \$31,200, \$65,697 and \$31,200, respectively.

2. Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of council upon the completion of a "then and now" certificate.

Certain liabilities, contracts, and open purchase commitments were not certified prior to their obligation. A review of the expenditures in 2000 and 2001 indicate that 12 of 56 and 9 of 53 items tested, respectively, had invoices with dates that preceded the purchase order date. We recommend the clerk review with the various departments the necessity for the purchase authorization prior to ordering or contracting for expenditures. If this cannot be avoided we recommend the clerk follow procedures for issuing Then and Now Certificates.

We also noted that unrecorded purchase commitments existed at December 31, 2001 in the Water and Sewer Funds in the amounts of \$12,432 and \$52,853, respectively.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated April 12, 2002.

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

*Rea & Associates, Inc.*





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**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  
JUNE 25, 2002**