



**Auditor of State
Betty Montgomery**

VILLAGE OF BYESVILLE
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Byesville
Guernsey County
P.O. Box 8
Byesville, Ohio 43723

To the Village Council:

We have audited the accompanying financial statements of the Village of Byesville, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Byesville, Guernsey County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2004 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 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.

Village of Byesville
Guernsey County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 27, 2004

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$100,396	\$43,589	\$	\$	\$143,985
Municipal Income Tax	465,683				465,683
Special Assessments					0
Intergovernmental Receipts	133,518	73,279		6,559	213,356
Charges for Services		50,000			50,000
Fines, Licenses, and Permits	5,850	500			6,350
Earnings on Investments	4,808	97			4,905
Miscellaneous	8,243	18,151			26,394
	<u>718,498</u>	<u>185,616</u>	<u>0</u>	<u>6,559</u>	<u>910,673</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	335,646	61,465			397,111
Public Health Services	563				563
Leisure Time Activities		14,960			14,960
Basic Utility Services	19,030				19,030
Transportation		120,718			120,718
General Government	207,570				207,570
Debt Service:					
Principal Payments			27,727		27,727
Interest Payments			8,041		8,041
Capital Outlay	89,303	67,636		6,559	163,498
	<u>652,112</u>	<u>264,779</u>	<u>35,768</u>	<u>6,559</u>	<u>959,218</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>66,386</u>	<u>(79,163)</u>	<u>(35,768)</u>	<u>0</u>	<u>(48,545)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Refunding Bonds	21,000	37,200	133,057		191,257
Payment to Refunded Note Bond Agent			(133,057)		(133,057)
Transfers-In		62,293	50,000		112,293
Other Financing Sources	417	100			517
Transfers-Out	(112,293)	0	0	0	(112,293)
	<u>(90,876)</u>	<u>99,593</u>	<u>50,000</u>	<u>0</u>	<u>58,717</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,490)	20,430	14,232	0	10,172
Fund Cash Balances, January 1	<u>82,062</u>	<u>154,161</u>	<u>3,752</u>		<u>239,975</u>
Fund Cash Balances, December 31	<u><u>\$57,572</u></u>	<u><u>\$174,591</u></u>	<u><u>\$17,984</u></u>	<u><u>\$0</u></u>	<u><u>\$250,147</u></u>

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

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,269,400
Total Operating Cash Receipts	1,269,400
Operating Cash Disbursements:	
Personal Services	397,404
Fringe Benefits	255,385
Contractual Services	528,081
Supplies and Materials	168,278
Capital Outlay	2,447,632
Total Operating Cash Disbursements	3,796,780
Operating Income/(Loss)	(2,527,380)
Non-Operating Cash Receipts:	
Proceeds from Notes	2,368,485
Miscellaneous Receipts	219,327
Proceeds of Refunding Bonds	8,743
Total Non-Operating Cash Receipts	2,596,555
Non-Operating Cash Disbursements:	
Debt Service	(105,933)
Interest and Other Fiscal Charges	(60,032)
Other Financing Uses	(46,219)
Total Non-Operating Cash Disbursements	(212,184)
Net Receipts Over/(Under) Disbursements	(143,009)
Fund Cash Balances, January 1	593,053
Fund Cash Balances, December 31	\$450,044
Reserve for Encumbrances, December 31	\$38,234

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

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$99,815	\$41,140	\$	\$140,955
Municipal Income Tax	465,336			465,336
Intergovernmental Receipts	147,707	63,489		211,196
Charges for Services		45,000		45,000
Fines, Licenses, and Permits	8,868			8,868
Earnings on Investments	5,920	121		6,041
Miscellaneous	24,574	20,235		44,809
	<u>752,220</u>	<u>169,985</u>	<u>0</u>	<u>922,205</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	327,071	73,137		400,208
Public Health Services	496			496
Leisure Time Activities		14,023		14,023
Basic Utility Services	50,631			50,631
Transportation		134,022		134,022
General Government	235,333	32,303		267,636
Debt Service:				
Principal Payments			42,727	42,727
Interest Payments			9,936	9,936
Capital Outlay	68,929	19,028		87,957
	<u>682,460</u>	<u>272,513</u>	<u>52,663</u>	<u>1,007,636</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>69,760</u>	<u>(102,528)</u>	<u>(52,663)</u>	<u>(85,431)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		77,393	55,000	132,393
Transfers-Out	(132,393)			(132,393)
	<u>(132,393)</u>	<u>77,393</u>	<u>55,000</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(62,633)	(25,135)	2,337	(85,431)
Fund Cash Balances, January 1	144,695	179,296	1,415	325,406
Fund Cash Balances, December 31	<u><u>\$82,062</u></u>	<u><u>\$154,161</u></u>	<u><u>\$3,752</u></u>	<u><u>\$239,975</u></u>

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

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,684,995
Miscellaneous	56,678
	1,741,673
Total Operating Cash Receipts	1,741,673
Operating Cash Disbursements:	
Personal Services	395,226
Fringe Benefits	196,826
Contractual Services	829,193
Supplies and Materials	120,432
Capital Outlay	776,621
	2,318,298
Total Operating Cash Disbursements	2,318,298
Operating Income/(Loss)	(576,625)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	
Intergovernmental Receipts	137,221
Proceeds from Notes	1,138,283
	1,275,504
Total Non-Operating Cash Receipts	1,275,504
Non-Operating Cash Disbursements:	
Redeption of Principal	(99,356)
Interest and Other Fiscal Charges	(59,026)
Other Financing Uses	(489,555)
	(647,937)
Total Non-Operating Cash Disbursements	(647,937)
Net Receipts Over/(Under) Disbursements	50,942
Fund Cash Balances, January 1	542,111
Fund Cash Balances, December 31	\$593,053
Reserve for Encumbrances, December 31	\$14,563

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

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Byesville, Guernsey County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police and fire services.

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

B. Basis of Accounting

These financial statements follow the 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 a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund (Continued)

Street – Other Debt Service Fund – This fund receives budgeted income tax monies transferred from the General Fund to make debt payments.

4. Enterprise Funds

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

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

Enterprise Improvement Fund - This fund receives grant/loan proceeds from the Ohio Water Development Authority (OWDA) to finance a utility expansion.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2003	2002
Demand deposits	(\$132,809)	(\$182,972)
Total deposits	(132,809)	(182,972)
Repurchase agreement	833,000	1,016,000
Total investments	833,000	1,016,000
Total deposits and investments	\$700,191	\$833,028

Deposits: Deposits are (1) insured by the Federal Deposit Insurance Corporation, and/or (2) collateralized by the financial institutions public entity deposit pool.

Investments: The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$777,606	\$739,915	(\$37,691)
Special Revenue	300,108	285,209	(14,899)
Debt Service	50,000	183,057	133,057
Capital Projects	0	6,559	6,559
Enterprise	8,793,688	3,865,955	(4,927,733)
Total	\$9,921,402	\$5,080,695	(\$4,840,707)

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$849,300	\$764,405	\$84,895
Special Revenue	370,095	264,779	105,316
Debt Service	53,752	168,825	(115,073)
Capital Projects	0	6,559	(6,559)
Enterprise	9,207,263	4,047,198	5,160,065
Total	<u>\$10,480,410</u>	<u>\$5,251,766</u>	<u>\$5,228,644</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$880,690	\$752,220	(\$128,470)
Special Revenue	222,358	247,378	25,020
Debt Service	55,000	55,000	0
Enterprise	244,207	3,017,177	2,772,970
Total	<u>\$1,402,255</u>	<u>\$4,071,775</u>	<u>\$2,669,520</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,005,117	\$814,853	\$190,264
Special Revenue	391,664	272,513	119,151
Debt Service	55,000	52,663	2,337
Enterprise	4,392,258	2,980,798	1,411,460
Total	<u>\$5,844,039</u>	<u>\$4,120,827</u>	<u>\$1,723,212</u>

Contrary to Ohio law, a reduced amended certificate should have been obtained in 2003 for the Enterprise Improvement Fund, Enterprise Fund type.

Contrary to Ohio law, appropriations exceeded estimated revenue in the Enterprise Improvement Fund, Enterprise Fund type, during 2002.

Contrary to Ohio law, expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Special Revenue Fund type, in the amount of \$34,601, in the FEMA Fund, Special Revenue Fund type, in the amount of \$6,559 and in the Street-Other Debt Service Fund, Debt Service Fund type, in the amount of \$115,073.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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 semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$635,645	1.5/2.0/6.64%
Rural Economic Community USDA Development Service Loan (Formerly FMHA)	\$191,300	6.00%
Ohio Public Works-Main Street waterline	\$212,884	0.00%
Ohio Water Development Authority-water plant	\$2,876,753	1.5%/3.85
Ohio Public Works	252,137	0.00%
General Obligation Bonds - Vehicle Acquisition	200,000	2.95%
Mortgage Revenue Bonds - Sewer Improvement	<u>290,000</u>	3.1%/6.6%
Total	<u><u>\$4,658,719</u></u>	

The Ohio Water Development Authority Loans (OWDA) and Rural Economic Community Service 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 20 to 30 years. The loans are collateralized by water and sewer receipts.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

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 General Obligation Vehicle Acquisition Bonds were issued to refinance the Village's prior purchase of vehicles for the street, police, fire, water and sewer departments and a building to house the police department. Additional proceeds were used to purchase a backhoe and police cruiser. The loans will be repaid in annual installments over five years. This loan is collateralized solely by the Village's taxing authority.

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

For the following OWDA and OPWC projects, repayment terms have not been developed as the projects have not been completed. However, as of December 31, 2003, the Village is liable for the amounts drawn. These loans are not included in the amortization schedules that follow. These loans will be reported when the project is complete.

At December 31, 2003, the Village has drawn \$528,407 on a \$758,000 loan with the Ohio Water Development Authority. The project related to the construction of two new wells for the new water treatment plant.

At December 31, 2003, the Village has drawn \$444,548 on a \$499,745 loan with the Ohio Water Development Authority. The project related to the construction of both new raw waterline and finished water feed line.

At December 31, 2003, the Village has drawn \$192,936 on a \$479,329 loan with the Ohio Water Development Authority. The project related to the purchase and installation of new water meters for the Village's water and sewer customers.

At December 31, 2003, the Village has drawn \$75,731 on a \$3,703,070 loan with the Ohio Water Development Authority. The project related to the planning and design of a water treatment facility.

At December 31, 2003, the Village has drawn \$549,644 on a \$2,415,540 loan with the Ohio Water Development Authority. The project related to the construction and installation of microfiltration units for the water treatment plant.

At December 31, 2003, the Village has drawn \$722,151 on a \$3,000,000 loan with the Ohio Water Development Authority. The project related to the construction of the new water treatment plant.

At December 31, 2003, the Village has drawn \$363,336 on a \$380,656 loan with the Ohio Water Development Authority. The project related to the creation of an access road for the water treatment facility.

At December 31, 2003, the Village has drawn \$212,883.70 on a \$240,000 loan with the Ohio Public Works Commission (OPWC). The project is for the main street sewer and water line.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>USDA Loans</u>	<u>General Obligation Bonds</u>	<u>Mortgage Revenue Bonds</u>
2004	\$62,635	\$22,919	\$14,678	\$49,929	\$44,140
2005	62,635	22,920	14,686	48,630	42,490
2006	62,635	22,920	14,782	40,617	45,840
2007	62,635	22,920	14,660	39,516	43,860
2008	62,635	22,920	14,732	38,415	41,880
2009 – 2013	176,796	97,671	73,552		175,410
2014 – 2018	118,348	39,867	73,608		
2019 – 2023	118,348		73,556		
2024 – 2028	82,844		73,484		
2029 – 2033			14,734		
Total	<u>\$809,511</u>	<u>\$252,137</u>	<u>\$382,472</u>	<u>\$217,107</u>	<u>\$393,620</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Flood insurance for the water and sewer treatment plant.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

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 judgements, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks including automobile physical damage up to \$100,000 on any specific loss with an aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 government.

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

9. CONTINGENT LIABILITIES

The Village is defendant in two lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Byesville
Guernsey County
P.O. Box 8
Byesville, Ohio 43723

To the Village Council:

We have audited the accompanying financial statements of the Village of Byesville, Guernsey County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 27, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 27, 2004.

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 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 do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 27, 2004.

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Village of Byesville
Guernsey County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 27, 2004

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(4) requires a reduced amended certificate to be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village obtained an amended certificate in the amount of \$7,000,000 during 2003 for the Enterprise Improvement Fund. The Village appropriated \$7,000,000 during 2003 for the Enterprise Improvement Fund. Actual revenue for 2003 in the Enterprise Improvement Fund amounted to \$1,998,514.

We recommend the Village amend the Certificate of Estimated Resources when it becomes apparent the available resources will not be able to support the appropriations as passed.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states in part that the total appropriation from each fund shall not exceed the total estimated resources.

In 2002, appropriations exceeded estimated resources in the Enterprise Improvement Fund, Enterprise Fund type. There were estimated resources of \$142,007 and appropriations of \$892,007.

We recommend the Village Clerk amend the certificate of estimated resources or modify total appropriations with Council and County Budget Commission whenever appropriations exceed estimated resources.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing authority may expend money unless it has been appropriated.

The following funds/accounts had expenditures which exceeded approved appropriations during 2003:

Fund	Approved Appropriations	Expenditures	Variance
Street Construction, Maintenance and Repair	\$136,682	\$171,283	(\$34,601)
FEMA	\$0	\$6,559	(\$6,559)
Street- Other Debt Service Fund	\$53,752	\$168,825	(\$115,073)

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-003 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued)

We recommend the Clerk post to the ledgers only those appropriations which have been approved by Council. The Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1	Ohio Rev. Code Section 5705.41(B) Expenditures in excess of appropriations.	No	Repeated as Finding 2003-003.
2	Ohio Rev. Code Section 5705.41(D) Failure to properly encumber	No	Partially Corrected. Repeated as a noncompliance citation in the Management letter.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 7, 2004**