

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**AUDIT REPORT**

**YEAR ENDED DECEMBER 31, 2010**

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





# Dave Yost • Auditor of State

Members of Village Council  
Village of Byesville  
221 East Main Street  
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, 2010 through December 31, 2010. 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 that reads "Dave Yost".

Dave Yost  
Auditor of State

April 21, 2011

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**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**TABLE OF CONTENTS**

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	2
<b>Government-wide Financial Statements:</b>	
Statement of Nets Assets.....	10
Statement of Activities.....	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds</b>	
Statement of Cash Basis Assets and Fund Balance.....	12
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances.....	13
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances- Budget and Actual (Budgetary Basis) - General Fund.....	14
<b>Proprietary Funds</b>	
Statement of Proprietary Net Assets.....	15
Statement of Cash Receipts, Cash Disbursements and Changes in Net Assets.....	16
Notes to the Financial Statements.....	17
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	35
Independents Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	37
Schedule of Findings and Questioned Costs.....	39
Schedule of Federal Awards.....	40
Notes to Schedule of Federal Awards.....	41
Schedule of Prior Audit Findings.....	42

**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, 2010, 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, 2010, 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 28, 2011, 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 28, 2011

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
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, 2010, 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 2010 are as follows:

Net assets of governmental activities increased \$58,956, or 59.0 percent, a significant change from the prior year. This was due to a increase in loan proceeds, miscellaneous receipts and budget reductions.

The Village's general receipts are primarily property taxes, municipal taxes and intergovernmental receipts. These receipts represent respectively 18, 39, 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 \$409,485 or 86 percent due to a increase in rates. The Village's total receipts for business-type activities increased by \$549,043 due to an increase in debt receipts.

In 2010, the Village started a major renovation on the Wastewater Treatment Plant.

**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, 2010  
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 2010 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, 2010  
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 2010 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, 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, 2010  
UNAUDITED**

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2010 and 2009 on the cash basis:

Table 1  
NET ASSETS

	Governmental Activities 2010	Business-Type Activities 2010	Governmental Activities 2009	Business-Type Activities 2009	Total 2010	Total 2009
Assets:						
Cash	\$ 158,944	\$ 884,470	\$ 99,988	\$ 474,985	\$ 1,043,414	\$ 574,973
Total Assets	<u>\$ 158,944</u>	<u>\$ 884,470</u>	<u>\$ 99,988</u>	<u>\$ 474,985</u>	<u>\$ 1,043,414</u>	<u>\$ 574,973</u>
Net Assets						
Restricted For:						
Other Purposes	\$ 43,347	\$ -	\$ 44,222	\$ -	\$ 43,347	\$ 44,222
Debt Service	-	444,526	-	271,446	444,526	271,446
Unrestricted	115,597	439,944	55,766	203,539	555,541	259,305
Total Net Assets	<u>\$ 158,944</u>	<u>\$ 884,470</u>	<u>\$ 99,988</u>	<u>\$ 474,985</u>	<u>\$ 1,043,414</u>	<u>\$ 574,973</u>

The total net assets of the Village increased by \$468,441. Net assets of governmental activities increased by \$58,956 or 59.0% from 2009 and net assets of business type activities increased by \$409,485 or 86%.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
UNAUDITED**

Table 2 reflects the changes in net assets in 2010 and 2009:

Table 2  
CHANGES IN NET ASSETS

	Governmental Activities 2010	Business-Type Activities 2010	Governmental Activities 2009	Business-Type Activities 2009	Totals 2010	Totals 2009
Receipts:						
Program Receipts						
Charges for Services	\$ 62,742	\$ 2,617,982	\$ 64,054	\$ 2,304,240	\$ 2,680,724	\$ 2,368,294
Operating Grants	93,854	3,148,920	88,922	-	3,242,774	88,922
Total Program Receipts	156,596	5,766,902	152,976	2,304,240	5,923,498	2,457,216
General Receipts:						
Property and Other Tax	144,758	-	160,455	-	144,758	160,455
Municipal Income Tax	316,034	-	323,174	-	316,034	323,174
Other Taxes	5,397	-	4,978	-	5,397	4,978
Grants and Entitlements not Restricted	152,598	-	120,761	-	152,598	120,761
Debt Proceeds	57,778	1,180,824	-	894,980	1,238,602	894,980
Interest Income	4,946	-	16,300	-	4,946	16,300
Miscellaneous	124,690	61,713	73,526	112,256	186,403	185,782
Total General Receipts	806,201	1,242,537	699,194	1,007,236	2,048,738	1,654,864
Total Receipts	962,797	7,009,439	852,170	3,311,476	7,972,236	4,163,646
Disbursements:						
Sec. of Persons & Prop.	204,166	-	332,430	-	204,166	332,430
Public Health Services	334	-	353	-	334	353
Leisure Time Activities	19,529	-	17,123	-	19,529	17,123
Basic Utility Service	59,312	-	55,131	-	59,312	55,131
Transportation	110,531	-	107,273	-	110,531	107,273
General Government	217,911	-	218,370	-	217,911	218,370
Capital Outlay	213,818	-	112,226	-	213,818	112,226
Miscellaneous	-	-	-	-	-	-
Debt Service:						
Principal	71,520	-	55,038	-	71,520	55,038
Interest	6,720	-	9,438	-	6,720	9,438
Water	-	1,993,539	-	1,468,385	1,993,539	1,468,385
Sewer	-	4,606,415	-	1,544,283	4,606,413	1,544,283
Total Disbursements	903,841	6,599,954	907,382	3,012,668	7,503,795	3,920,050
Increase/(Decrease) In Net Assets	58,956	409,485	(55,212)	298,808	468,441	243,596
Net Assets, January 1	99,988	474,985	155,200	176,177	574,973	331,377
Net Assets, December 31	\$ 158,944	\$ 884,470	\$ 99,988	\$ 474,985	\$ 1,043,414	\$ 574,973

Program receipts represent 58 % and 59% of total receipts for 2010 and 2009. 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 41% of the Village's total receipts for 2010 and 2009. Local taxes represent 15% and 10% of the general receipts for 2010 and 2009. 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, 2010  
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 12, 23, and 24 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 2010 and 2009 is presented in Table 3.

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2009	Net Cost of Services 2009
Security of Persons and Property	\$ 204,166	\$ 144,166	\$ 332,430	\$ 273,430
Public Health Services	334	334	353	353
Leisure Time Activities	19,529	19,529	17,123	17,123
Community Environment	-	(1,540)	-	(1,080)
Basic Utility Services	59,312	59,312	55,131	55,131
Transportation	110,531	16,677	107,273	18,351
General Government	217,911	216,709	218,370	214,396
Miscellaneous	-	-	-	-
Debt Service - Principal	71,520	71,520	55,038	55,068
Debt Service - Interest	6,720	6,720	9,438	9,438
Capital Outlay	213,818	213,818	112,226	112,226
Total Expenses	<u>\$ 903,841</u>	<u>\$ 747,245</u>	<u>\$ 907,382</u>	<u>\$ 754,406</u>

The dependence upon property and income tax is apparent as over 89% and 81% for 2010 and 2009 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, 2010  
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. Work on the plant was started in 2010.

**The Government's Funds**

Total governmental funds had receipts of \$1,059,517 and \$971,646 for 2010 and 2009 and disbursements of \$1,000,561 and \$1,026,858 for 2010 and 2009. 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 2010 and 2009, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts for 2010 and above for 2009. The difference between final budgeted receipts and actual receipts was not significant after council certified to amend resources.

Final budgeted disbursements for 2010 and 2009 were \$632,146 and \$702,379. Actual disbursements for 2010 and 2009 were \$527,006 and \$647,282. 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, 2010  
UNAUDITED**

**Debt Administration**

At December 31, 2010, the Village had \$12,567,389 in loans with the Ohio Water Development Authority, with \$354,460 due within one year for improvements to water and sewer utilities. The Village had \$243,074 in loans with the Ohio Public Works Commission, with \$28,728 due within one year for improvements to water and sewer utilities. The Village had Mortgage Revenue Bonds in the amount of \$80,000 with \$40,000 due in one year for improvements to water and sewer utilities. The Village has General Obligation Bonds in the amount of \$120,000 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 had \$145,000 in loans with Peoples Bank which paid off the previous loans with the USDA with \$22,253 due in one year. This loan is paid from business-type activities. The Village had \$26,258 in loans due to Peoples Bank for the purchase of a fire truck with \$11,902 due in one year. This 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, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 158,944	\$ 884,470	\$ 1,043,414
<b>Total Assets</b>	<b>\$ 158,944</b>	<b>\$ 884,470</b>	<b>\$ 1,043,414</b>
<b>NET ASSETS:</b>			
Restricted for:			
Other Purposes	43,347	-	43,347
Debt Service	-	444,526	444,526
Unrestricted	115,597	439,944	555,541
<b>Total Net Assets</b>	<b>\$ 158,944</b>	<b>\$ 884,470</b>	<b>\$ 1,043,414</b>

See notes to basic financial statements.



**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2010**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Equity in Pooled Cash and cash Equivalents	\$ 115,597	\$ 43,347	\$ 158,944
<b>Total Assets</b>	<b>\$ 115,597</b>	<b>\$ 43,347</b>	<b>\$ 158,944</b>
 <b>Fund Balances:</b>			
Reserved:			
Reserved for Encumbrances	\$ 1,262	\$ -	\$ 1,262
Unreserved:			
General Fund	114,335	-	114,335
Special Revenue Fund	-	43,347	43,347
<b>Total Fund Balances</b>	<b>\$ 115,597</b>	<b>\$ 43,347</b>	<b>\$ 158,944</b>

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, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS</b>			
Property and Other Local Taxes	\$ 104,829	\$ 45,326	\$ 150,155
Municipal Income Tax	316,034	-	316,034
Intergovernmental	142,301	103,851	246,152
Special Assessment	300	-	300
Charges for Services	-	60,000	60,000
Fines, Licenses, Permits	2,742	-	2,742
Earnings on Investments	4,848	98	4,946
Miscellaneous	14,521	110,169	124,690
<b>Total Receipts</b>	<u>585,575</u>	<u>319,444</u>	<u>905,019</u>
<b>CASH DISBURSEMENTS:</b>			
Current:			
Security of Persons and Property	118,805	85,361	204,166
Public Health Services	334	-	334
Leisure Time Activities	-	19,529	19,529
Basic Utility Services	59,312	-	59,312
Transportation	-	110,531	110,531
General Government	214,796	3,115	217,911
Debt Service			
Principal Retirement	-	71,520	71,520
Interest and Fiscal Charges	-	6,720	6,720
Capital Outlay	35,777	178,041	213,818
<b>Total Disbursements</b>	<u>429,024</u>	<u>474,817</u>	<u>903,841</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	156,551	(155,373)	1,178
<b>Other Cash Financing Sources (Uses)</b>			
Transfers In	-	96,720	96,720
Debt Proceeds	-	57,778	57,778
Transfers Out	(96,720)	-	(96,720)
<b>Total Other Financing Sources (Uses)</b>	<u>(96,720)</u>	<u>154,498</u>	<u>57,778</u>
<b>Net Change in Fund Balance</b>	59,831	(875)	58,956
<b>Cash Fund Balances Beginning of Year</b>	<u>55,766</u>	<u>44,222</u>	<u>99,988</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 115,597</u>	<u>\$ 43,347</u>	<u>\$ 158,944</u>

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, 2010**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 102,617	\$ 102,617	\$ 104,829	\$ 2,212
Municipal Income Tax	315,000	315,000	316,034	1,034
Intergovernmental	130,663	130,663	142,301	11,638
Special Assessments	-	-	300	300
Fines, Licenses, Permits	3,100	3,100	2,742	(358)
Earnings on Investments	12,000	12,000	4,848	(7,152)
Miscellaneous	13,000	13,000	14,521	1,521
<b>Total Receipts</b>	<u>576,380</u>	<u>576,380</u>	<u>585,575</u>	<u>9,195</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
Security of Persons and Property	123,756	124,956	119,281	5,675
Public Health Services	500	500	334	166
Basic Utility Services	66,200	66,200	59,312	6,888
General Government	285,405	286,405	215,582	70,823
Debt Service				
Principal	-	-	-	-
Capital Outlay	56,285	54,085	35,777	18,308
<b>Total Disbursements</b>	<u>532,146</u>	<u>532,146</u>	<u>430,286</u>	<u>101,860</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	44,234	44,234	155,289	111,055
<b>Other Cash Financing Sources (Uses)</b>				
Other Financing Uses	-	-	-	-
Transfers Out	(100,000)	(100,000)	(96,720)	3,280
<b>Total Other Financing Sources (Uses)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(96,720)</u>	<u>3,280</u>
<b>Net Change in Fund Balance</b>	(55,766)	(55,766)	58,569	114,335
<b>Cash Fund Balances Beginning of Year</b>	53,907	53,907	53,907	-
<b>Prior Year Encumbrances Appropriated</b>	<u>1,859</u>	<u>1,859</u>	<u>1,859</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,335</u>	<u>\$ 114,335</u>

See notes to basic financial statements.

VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

STATEMENT OF FUND NET ASSETS-CASH BASIS  
PROPRIETARY FUNDS  
December 31, 2010

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS:</b>						
Equity in Pooled Cash and cash Equivalents	\$ 242,558	\$ 160,145	\$ 147,773	\$ 296,753	\$ 37,241	\$ 884,470
<b>Total Assets</b>	<u>\$ 242,558</u>	<u>\$ 160,145</u>	<u>\$ 147,773</u>	<u>\$ 296,753</u>	<u>\$ 37,241</u>	<u>\$ 884,470</u>
<b>Net Assets:</b>						
Restricted for:						
Debt Service	-	-	147,773	296,753	-	444,526
Other Purposes	242,558	160,145	-	-	37,241	439,944
<b>Total Net Assets</b>	<u>\$ 242,558</u>	<u>\$ 160,145</u>	<u>\$ 147,773</u>	<u>\$ 296,753</u>	<u>\$ 37,241</u>	<u>\$ 884,470</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, 2010**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Sewer Improvement Fund</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>	<u>Other Enterprise Funds</u>	<u>Enterprise Total</u>
<b>OPERATING CASH RECEIPTS</b>							
Charges for Services	\$ 1,236,007	\$ 397,609	\$ -	\$ 716,361	\$ 190,270	\$ 77,735	\$ 2,617,982
<b>Total Operating Receipts</b>	<u>1,236,007</u>	<u>397,609</u>	<u>-</u>	<u>716,361</u>	<u>190,270</u>	<u>77,735</u>	<u>2,617,982</u>
<b>OPERATING CASH DISBURSEMENTS:</b>							
Personal Services	310,784	94,312	-	-	-	35,978	441,074
Employee Fringe Benefits	170,390	52,384	-	-	-	21,408	244,182
Contractual Services	263,119	67,658	245,702	-	-	16,501	592,980
Supplies and Materials	206,332	42,485	-	-	-	4,131	252,948
<b>Total Operating Disbursements</b>	<u>950,625</u>	<u>256,839</u>	<u>245,702</u>	<u>-</u>	<u>-</u>	<u>78,018</u>	<u>1,531,184</u>
<b>Operating Income (Loss)</b>	285,382	140,770	(245,702)	716,361	190,270	(283)	1,086,798
<b>Non-operating Cash Receipts (Disbursements)</b>							
Intergovernmental	-	-	3,075,130	-	-	73,790	3,148,920
Debt Proceeds	145,000	-	978,231	-	-	57,593	1,180,824
Miscellaneous	30,975	29,343	-	-	-	1,395	61,713
Capital Outlay	(213,020)	(49,702)	(3,807,679)	-	-	(119,818)	(4,190,219)
Other Financing Uses	-	-	-	-	-	(15,212)	(15,212)
Debt Service:							
Principal	(145,000)	-	-	(423,798)	(51,805)	-	(620,603)
Interest	-	-	-	(201,118)	(41,618)	-	(242,736)
<b>Total non-operating Cash Receipts (Disbursements)</b>	<u>(182,045)</u>	<u>(20,359)</u>	<u>245,682</u>	<u>(624,916)</u>	<u>(93,423)</u>	<u>(2,252)</u>	<u>(677,313)</u>
<b>Change in Net Assets</b>	103,337	120,411	(20)	91,445	96,847	(2,535)	409,485
<b>Cash Fund Balances Beginning of Year</b>	<u>139,221</u>	<u>39,734</u>	<u>20</u>	<u>56,328</u>	<u>199,906</u>	<u>39,776</u>	<u>474,985</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 242,558</u>	<u>\$ 160,145</u>	<u>\$ -</u>	<u>\$ 147,773</u>	<u>\$ 296,753</u>	<u>\$ 37,241</u>	<u>\$ 884,470</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 Ohio Government Risk management Plan (the Plan) public entity risk sharing pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Government Risk management Plan (the Plan), an unincorporated, non-profit association providing a formalized, jointly administered self insurance risk management plan.. Member governments pay annual contributions to fund the Plan. The Plan 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 Debt 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 2010 was \$4,848.

**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.

**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 \$1,262 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, \$793,414 of the Village's bank balance of \$1,043,414 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, 2010, the Village's investment was a sweep agreement with Peoples 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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 31, 2009, 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 2010 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. 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, 2010, was \$4.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	
Residential	\$ 16,825,290
Agriculture	26,580
Commercial/Industrial/Mineral	8,376,400
Public Utility Property	
Real	4,850
Personal	1,117,710
Total Assessed Value	<u>\$ 26,350,830</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 is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 700 Ohio Governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage’s, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 17.5% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 17.5% or \$43,750 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

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

The Plans audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, the latest information available.

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$ 10,471,114
Liabilities	(4,852,485)	(5,286,781)
Retained Earnings	<u>\$ 6,323,701</u>	<u>\$ 5,184,333</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**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, 2010, 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 11.1 percent of their annual covered salary; members in public safety contributed 10.5 percent. The employer contribution rate for pension benefits for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 17.87 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, 2010, 2009, and 2008 were \$80,112, \$77,081, and \$92,419, respectively. The full amount has been contributed for 2010, 2009 and 2008.

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, 2010, 2009, and 2008 were \$5,927, \$25,521, and \$39,479, respectively. The full amount has been contributed for 2010, 2009 and 2008.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. POSTEMPLOYMENT BENEFITS**

a. Ohio Public Employees Retirement System

Plan Description-The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan-a defined contribution plan; and the Combined Plan-a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, aged and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

Funding Policy-The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll for state and local employer units and 18.10% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and their coverage selected.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

a. Ohio Public Employees Retirement System (Continued)

The Village's contributions for health care to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$28,608, \$27, 526 and \$33,003, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

b. Ohio Police and Fire Pension Fund

Plan Description-The Village contributes to the 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 permits, but does not mandate OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC. 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.

Funding Policy-The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. 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 ORC 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.

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, 2010, 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 2010, 2009 and 2008 that were used to fund post-employment benefits were \$2,051, \$8,507 and \$13,666, 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, 2010, was as follows:

	Interest Rate	Balance January 1 2010	Additions	Deductions	Balance December 31 2010	Amount Due Within One Year
<u>Governmental Activities</u>						
GO Bond-Street	4.20%	\$ 160,000	\$ -	\$ 40,000	\$ 120,000	\$ 40,000
Fire Truck Loan	3.56%	-	57,778	31,520	26,258	11,902
<u>Business-Type Activities</u>						
OWDA Loan #2951	6.64%	\$ 18,273	\$ -	\$ 18,273	\$ -	\$ -
OWDA Loan #3553	2.00%	135,667	-	6,546	129,121	6,677
OWDA Loan #3563	2.00%	207,298	-	10,002	197,296	10,203
OWDA Loan #5174	0.00%	47,378	57,593	5,498	99,473	-
USDA Water Loan 97-04	6.00%	53,700	-	53,700	-	-
USDA Water Loan 97-02	6.00%	115,000	-	115,000	-	-
Peoples Bank Water	3.25%	-	145,000	-	145,000	22,253
OPWC #CT42D	0.00%	159,604	-	10,644	148,960	10,644
OPWC #CN937	0.00%	25,900	-	3,700	22,200	3,700
OPWC #CN632	0.00%	2,421	-	2,421	-	-
OPWC #CN821	0.00%	86,298	-	14,384	71,914	14,384
OWDA Loan #3672	1.50%	2,456,595	-	83,654	2,372,941	84,914
OWDA Loan #3785	1.50%	291,224	-	18,122	273,102	18,395
OWDA Loan #3906	1.50%	838,194	-	27,862	810,332	28,281
OWDA Loan #3907	1.50%	438,564	-	14,578	423,986	14,797
OWDA Loan #3924	1.50%	419,525	-	13,945	405,580	14,155
OWDA Loan #3942	3.85%	3,056,463	-	74,515	2,981,948	77,412
OWDA Loan #3943	1.50%	2,622,189	-	87,161	2,535,028	88,474
OWDA Loan #4397	2.00%	368,579	-	10,932	357,647	11,152
OWDA Loan #4601	4.82%	207,583	5,588	-	213,171	-
OWDA Loan #5243	1.00%	795,121	972,643	-	1,767,764	-
Water Truck Loan	4.00%	14,666	-	14,666	-	-
Mort. Rev. Bonds	3.1/6.6%	115,000	-	35,000	80,000	40,000
Total		<u>\$ 12,635,242</u>	<u>\$ 1,238,602</u>	<u>\$ 692,123</u>	<u>\$ 13,181,721</u>	<u>\$ 497,343</u>

**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 USDA loans were refinanced through Peoples Bank in 2010 as the Village acquired a lower interest rate.

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 loan agreement with Peoples Bank to acquire a fire truck. The loan is to be paid annually over 4 years with an interest rate of 3.65%.

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, 2010, 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, 2010, the Village has drawn \$1,026,730 on a 1,062,030 loan with the Ohio Water Development Authority. The project related to the design of a wastewater treatment plant.

At December 31, 2010, the Village has drawn \$107,720 on a \$109,957 loan with the Ohio Water Development Authority. This project related to a clearwell rehabilitation project.

At December 31, 2010, the Village has drawn \$1,767,764 on a \$4,000,983 loan with the Ohio Water Development Authority. This project related to a wastewater design project.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**10. DEBT (Continued)**

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

Year	OWDA Loans		OPWC	Peoples Bank	
	Principal	Interest	Principal	Principal	Interest
2011	\$ 354,460	\$ 228,769	\$ 28,728	\$ 22,253	\$ 4,778
2012	361,781	221,671	28,728	22,976	4,056
2013	369,288	214,263	28,728	23,744	3,288
2014	376,982	206,469	28,728	24,526	2,505
2015	384,877	198,575	28,728	25,334	1,697
2016-2020	2,050,078	867,182	56,920	26,167	865
2021-2025	2,246,663	636,963	42,520	-	-
2026-2030	2,340,716	382,795	-	-	-
2031-2035	2,002,136	200,833	-	-	-
2036-2040	-	-	-	-	-
Total	<u>\$ 10,486,981</u>	<u>\$ 3,157,520</u>	<u>\$ 243,074</u>	<u>\$ 145,000</u>	<u>\$ 17,189</u>

Year	General Obligation Street Bonds		Mortgage Revenue Bonds		Fire truck Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 40,000	\$ 5,040	\$ 40,000	\$ 5,280	\$ 11,902	\$ 935
2012	40,000	3,360	40,000	2,640	14,356	511
2013	40,000	1,680	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016-2020	-	-	-	-	-	-
Total	<u>\$ 120,000</u>	<u>\$ 10,080</u>	<u>\$ 80,000</u>	<u>\$ 7,920</u>	<u>\$ 26,258</u>	<u>\$ 1,446</u>

**11. INTERFUND TRANSFERS**

During 2010 the following transfers were made:

Transfers from the General Fund to:	
Parks & Recreation Fund	\$ 20,000
Street Construction Fund	30,000
Street Debt Service Fund	<u>46,720</u>
Total Transfers from the General Fund	<u>\$ 96,720</u>

Transfers were made out of the Village's General Fund to subsidize debt service payments and parks and recreation in 2010.

**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.

***VILLAGE OF BYESVILLE  
GUERNSEY COUNTY***

***NOTES TO THE FINANCIAL STATEMENTS***

**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, 2010, and have issued our report thereon dated February 28, 2011, 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

We noted other matters involving internal control over financial reporting, which we have reported to management of the Village of Byesville in a separate letter dated February 28, 2011.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Village of Byesville in a separate letter dated February 28, 2011.

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 28, 2011

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of Village of Byesville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2010. Village of Byesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Byesville's management. Our responsibility is to express an opinion on the Village of Byesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Byesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Byesville's compliance with those requirements.

In our opinion, Village of Byesville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

**Internal Control Over Compliance**

Management of Village of Byesville is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Village of Byesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Byesville's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended for the information of the Village's management, fiscal officer, the Auditor of State, federal award agencies, and pass-through entities 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 28, 2011

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A – 133 SECTION .505  
DECEMBER 31, 2010**

**1. AUDITOR’S RESULTS**

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies In internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	EPA Wastewater, CFDA #66.458
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

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

**NONE**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**NONE**

VILLAGE OF BYSEVILLE  
 GUERNSEY COUNTY  
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>				
Pass through Ohio Water Development Authority				
Capitalization Grant for Drinking Water State Revolving Funds - ARRA	n/a	66.468	73,780	73,780
Capitalization Grant for Clean Water State Revolving Funds - ARRA	n/a	66.458	<u>3,075,130</u>	<u>3,075,130</u>
<b>Total Environmental Protection Agency</b>			<u>3,148,910</u>	<u>3,148,910</u>
<b>Total Federal Awards Expenditures</b>			<u><u>3,148,910</u></u>	<u><u>3,148,910</u></u>

See notes to Schedule of Federal Awards Expenditures.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2009-01	ORC 5705.41(D) No expenditure of money shall be made unless there is a attached certificate of fiscal officer.	No	Partially Corrected; Stated in Management Letter for 2010

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# Dave Yost • 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 5, 2011