

**VILLAGE OF BYESVILLE**  
**ANNUAL REPORT**  
**YEAR ENDED DECEMBER 31, 2004**

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





**Auditor of State  
Betty Montgomery**

Mayor and 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, 2004 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 2, 2006

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**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the Village of Byesville, Guernsey County as of and for the year ended December 31, 2004. The 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Byesville's combined funds as of December 31, 2004, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Byesville, Guernsey County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2006, on our consideration of 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.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
July 21, 2006



VILLAGE OF BYESVILLE  
GUERNSEY COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 99,395	\$ 34,075	\$ -	\$ -	\$ 133,470
Municipal Income Tax	447,451	-	-	-	447,451
Intergovernmental Receipts	129,202	93,480	-	2,745	225,427
Special Assessments	151	-	-	-	151
Charges for Services	-	50,000	-	-	50,000
Fines, Licenses, and Permits	13,017	2,000	-	-	15,017
Earnings on Investments	6,391	130	-	-	6,521
Miscellaneous	37,099	10,131	-	-	47,230
<b>Total Cash Receipts</b>	<u>732,706</u>	<u>189,816</u>	<u>-</u>	<u>2,745</u>	<u>925,267</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons	370,411	103,223	-	-	473,634
Public Health Services	477	-	-	-	477
Leisure Time Activities	-	16,851	-	-	16,851
Basic Utility Services	19,136	-	-	-	19,136
Transportation	-	137,088	-	-	137,088
General Government	218,103	3,933	-	2,745	224,781
Debt Service:					
Principal	-	-	30,644	-	30,644
Interest	-	-	4,107	-	4,107
Capital Outlay	72,327	28,134	-	-	100,461
<b>Total Cash Disbursements</b>	<u>680,454</u>	<u>289,229</u>	<u>34,751</u>	<u>2,745</u>	<u>1,007,179</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	52,252	(99,413)	(34,751)	-	(81,912)
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers In	-	82,625	16,770	-	99,395
Transfers Out	(99,395)	-	-	-	(99,395)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(99,395)</u>	<u>82,625</u>	<u>16,770</u>	<u>-</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(47,143)	(16,788)	(17,981)	-	(81,912)
<b>Fund Cash Balance, January 1</b>	<u>57,572</u>	<u>174,591</u>	<u>17,984</u>	<u>-</u>	<u>250,147</u>
<b>Fund Cash Balance, December 31</b>	<u>\$ 10,429</u>	<u>\$ 157,803</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 168,235</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$ 3,222</u>	<u>\$ 9,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,594</u>

See notes to financial statements.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 1,651,175
<b>Total Operating Cash Receipts</b>	1,651,175
<b>Operating Cash Disbursements:</b>	
Personal Services	400,175
Employee Fringe Benefits	233,260
Contractual Services	492,230
Supplies and Materials	176,959
Capital Outlay	8,088,705
<b>Total Operating Cash Disbursements</b>	9,391,329
<b>Operating Income/(Loss)</b>	(7,740,154)
<b>Non-Operating Cash Receipts:</b>	
Sale of Notes	7,948,501
Miscellaneous	311,685
<b>Total Non-Operating Cash Receipts</b>	8,260,186
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	151,873
Interest	79,245
<b>Total Non-Operating Cash Disbursements</b>	231,118
<b>Net Receipts Over/(Under) Disbursements</b>	288,914
<b>Fund Cash Balances, January 1</b>	450,044
<b>Fund Cash Balances, December 31</b>	\$ 738,958
<b>Reserve for Encumbrances, December 31</b>	\$ 5,314

See notes to financial statements.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Fund Accounting**

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

**General Fund**

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

**Special Revenue Fund**

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

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

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (continued)**

**Debt Service Fund**

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

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

**Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**Appropriations**

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

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2004 budgetary activity appears in Note 3.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004
Demand Deposits	\$ (28,807)
Total Deposits	(28,807)
Repurchase agreement	936,000
Total Investments	936,000
Total Deposits and Investments	\$ 907,193

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 761,190	\$ 732,706	\$ (28,484)
Special Revenue	263,096	272,441	9,345
Debt Service	6,770	16,770	10,000
Capital Projects	2,745	2,745	-
Enterprise	10,237,421	9,911,361	(326,060)
Total	\$ 11,271,222	\$ 10,936,023	\$ (335,199)

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 827,346	\$ 783,071	\$ 44,275
Special Revenue	414,130	298,601	115,529
Debt Service	34,751	34,751	-
Capital Projects	2,745	2,745	-
Enterprise	9,737,243	9,627,761	109,482
Total	<u>\$ 11,016,215</u>	<u>\$ 10,746,929</u>	<u>\$ 269,286</u>

**Compliance and Accountability:**

Contrary to Ohio law, appropriations exceeded estimated resources during 2004 as follows:

Fund	Est. Resources	Appropriations	Variance
Street-Other Debt Service	\$ 24,755	\$ 34,751	\$ (9,996)

Contrary to Ohio law, purchase commitments were made on behalf of the Village without first obtaining the fiscal officer's certificate indicating funds were available for expenditure.

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 595,143	1.5/2.0/6.64%
USDA Loans	188,100	6.00%
Ohio Public Works – Main Street Waterline	212,884	0.00%
Ohio Public Works Loans	229,217	0.00%
OWDA – Water Plant Loans	10,778,388	1.5/3.85%
General Obligation Bonds – Vehicle Acquisition	155,971	2.95%
Mortgage Revenue Bonds – Sewer Improvement	265,000	3.1/6.6%
Total	<u>\$ 12,424,703</u>	

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

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

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

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.

For the following OWDA projects, repayments terms have not been developed as the projects have not been completed. However, as of December 31, 2004, 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, 2004, the Village has drawn \$2,628,585 on a \$3,733,546 loan with the Ohio Water Development Authority. The project related to the planning and design of a water treatment facility.

At December 31, 2004, the Village has drawn \$2,907,656 on a \$2,907,656 loan with the Ohio Water Development Authority. The project related to the construction and installation of microfiltration units for the water treatment plant.

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**5. DEBT (Continued)**

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

Year Ending December 31	OWDA Loans	OPWC Loans	USDA Loans	General Obligation Bonds	Mortgage Revenue Bonds
2005	\$ 278,402	\$ 33,584	\$ 14,686	\$ 48,630	\$ 42,490
2006	278,402	33,584	14,782	40,616	45,840
2007	278,402	33,584	14,660	39,516	43,860
2008	278,402	33,584	14,732	38,415	41,880
2009	278,402	33,584	14,786	22,808	44,900
2010	258,920	31,169	14,722	-	42,590
2011-2015	1,197,177	143,732	73,540	-	87,920
2016-2020	1,197,177	57,020	73,564	-	-
2021-2025	1,163,545	42,260	73,556	-	-
2026-2030	1,052,772	-	58,766	-	-
2031-2035	831,143	-	-	-	-
Total	<u>\$ 6,833,824</u>	<u>\$ 442,101</u>	<u>\$ 367,794</u>	<u>\$ 189,985</u>	<u>\$ 349,480</u>

**6. LOCAL INCOME TAX**

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

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

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages and 24% of fire participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries for the periods January 1, 2004 through December 31, 2004. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- \* Flood Insurance for the water and sewer treatment plant.



**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. RISK MANAGEMENT (Continued)**

**Risk Pool Membership**

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available).

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,547,049	\$ 25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$ 13,557,131</u>	<u>\$ 12,415,113</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$ 3,108,199</u>	<u>\$ 2,366,752</u>

**9. CONTINGENT LIABILITIES**

Claims and lawsuits are pending against the Village. Based upon information provided by the Village's legal counsel, any potential liability and the effect on the financial statements, if any, is not determinable at this time.

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

**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**

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

We have audited the financial statements of the Village of Byesville as of and for the year ended December 31, 2004, and have issued our report thereon dated July 21, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated July 21, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Byesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Village of Byesville in a separate letter dated July 21, 2006.

This report is intended for the information of the Village Council, management, and the 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  
July 21, 2006

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

**FINDING NUMBER 2004-01**

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

Prior certification was not obtained for 14.8% in 2004 of the expenditures tested.

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

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

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

**VILLAGE OF BYESVILLE  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2003-001	ORC 5705.36 Village should have obtained an amended certificate of Estimated Resources	Yes	Finding no Longer Valid
2003-002	ORC 5705.39 Appropriations exceeded Estimated Resources.	No	Partially Corrected; included in current management letter
2003-003	ORC 5705.41(B) No money shall be spent unless appropriated	Yes	Finding no Longer Valid



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**VILLAGE OF BYESVILLE**

**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 12, 2006**