

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2011

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



Dave Yost • Auditor of State

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, 2011 through December 31, 2011. 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

May 11, 2012

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**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Byesville, Guernsey County as of and for the year ended December 31, 2011, 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, 2011, 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.

As stated in Note 3, the Village implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2012, 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
January 24, 2012

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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, 2011, 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 2011 are as follows:

Net assets of governmental activities increased \$76,055, or 47.8 percent, a significant change from the prior year. This was due to a increase in municipal income tax and budget reductions.

The Village's general receipts are primarily property taxes, municipal taxes and intergovernmental receipts. These receipts represent respectively 15, 38, and 27 percent of total cash received for governmental activities.

The Village's business-type activities are water and sewer charges. Charges for services decreased by \$180,789 or 7 percent due to a decrease in water sold to the Village of Cumberland. The Village's total receipts for business-type activities increased by \$857,355 due to an increase in debt receipts.

In 2011, the Village's major renovation on the Wastewater Treatment Plant was completed.

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, 2011
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 2011 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, 2011
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 2011 is the General Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the Village reports on the cash basis.

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

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2011 and 2010 on the cash basis:

Table 1
NET ASSETS

	Governmental Activities 2011	Business-Type Activities 2011	Governmental Activities 2010	Business-Type Activities 2010	Total 2011	Total 2010
Assets:						
Cash	\$ 234,999	\$ 603,317	\$ 158,944	\$ 884,470	\$ 838,316	\$ 1,043,414
Total Assets	<u>\$ 234,999</u>	<u>\$ 603,317</u>	<u>\$ 158,944</u>	<u>\$ 884,470</u>	<u>\$ 838,316</u>	<u>\$ 1,043,414</u>
Net Assets						
Restricted For:						
Other Purposes	\$ 75,382	\$ -	\$ 43,347	\$ -	\$ 75,382	\$ 43,347
Debt Service	-	343,366	-	444,526	343,366	444,526
Unrestricted	159,617	259,951	115,597	439,944	419,568	439,944
Total Net Assets	<u>\$ 234,999</u>	<u>\$ 603,317</u>	<u>\$ 158,944</u>	<u>\$ 884,470</u>	<u>\$ 838,316</u>	<u>\$ 884,470</u>

The total net assets of the Village decreased by \$205,098. Net assets of governmental activities increased by \$76,055 or 47.8% from 2010 and net assets of business type activities decreased by \$281,153 or 31.7%.

**VILLAGE OF BYESVILLE, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Table 2 reflects the changes in net assets in 2011 and 2010:

Table 2
CHANGES IN NET ASSETS

	Governmental Activities 2011	Business-Type Activities 2011	Governmental Activities 2010	Business-Type Activities 2010	Totals 2011	Totals 2010
Receipts:						
Program Receipts						
Charges for Services	\$ 61,981	\$ 2,437,193	\$ 62,742	\$ 2,617,982	\$ 2,499,174	\$ 2,680,724
Operating Grants	90,845	-	93,854	3,148,920	90,845	3,242,774
Total Program Receipts	152,826	2,437,193	156,596	5,766,902	2,590,019	5,923,498
General Receipts:						
Property and Other Tax	126,085	-	144,758	-	126,085	144,758
Municipal Income Tax	326,671	-	316,034	-	326,671	316,034
Other Taxes	5,160	-	5,397	-	5,160	5,397
Grants and Entitlements not Restricted	135,549	-	152,598	-	135,549	152,598
Debt Proceeds	-	2,245,967	57,778	1,180,824	2,245,967	1,238,602
Interest Income	2,817	-	4,946	-	2,817	4,946
Miscellaneous	105,165	34,714	124,690	61,713	139,879	186,403
Total General Receipts	701,447	2,280,681	806,201	1,242,537	2,982,128	2,048,738
Total Receipts	854,273	4,717,874	962,797	7,009,439	5,572,147	7,972,236
Disbursements:						
Sec. of Persons & Prop.	135,710	-	204,166	-	135,710	204,166
Public Health Services	-	-	334	-	-	334
Leisure Time Activities	21,353	-	19,529	-	21,353	19,529
Basic Utility Service	56,671	-	59,312	-	56,671	59,312
Transportation	86,915	-	110,531	-	86,915	110,531
General Government	202,557	-	217,911	-	202,557	217,911
Capital Outlay	121,337	-	213,818	-	121,337	213,818
Debt Service:						
Principal	146,258	-	71,520	-	146,258	71,520
Interest	7,417	-	6,720	-	7,417	6,720
Water	-	1,892,003	-	1,993,539	1,892,003	1,993,539
Sewer	-	3,107,024	-	4,606,415	3,107,024	4,606,413
Total Disbursements	778,218	4,999,027	903,841	6,599,954	5,777,245	7,503,795
Increase/(Decrease)						
In Net Assets	76,055	(281,153)	58,956	409,485	(205,098)	468,441
Net Assets, January 1	158,944	884,470	99,988	474,985	1,043,414	574,973
Net Assets, December 31	\$ 234,999	\$ 603,317	\$ 158,944	\$ 884,470	\$ 838,316	\$ 1,043,414

Program receipts represent 46 % and 58% of total receipts for 2011 and 2010. 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 54% and 42% of the Village's total receipts for 2011 and 2010. Local taxes represent 11% and 15% of the general receipts for 2011 and 2010. 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, 2011
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 11, 17, and 26 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 2011 and 2010 is presented in Table 3.

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Security of Persons and Property	\$ 135,710	\$ 75,710	\$ 204,166	\$ 144,166
Public Health Services	-	-	334	334
Leisure Time Activities	21,353	21,353	19,529	19,529
Community Environment	-	(350)	-	(1,540)
Basic Utility Services	56,671	56,671	59,312	59,312
Transportation	86,915	(3,930)	110,531	16,677
General Government	202,557	200,926	217,911	216,709
Debt Service - Principal	146,258	146,258	71,520	71,520
Debt Service - Interest	7,417	7,417	6,720	6,720
Capital Outlay	121,337	121,337	213,818	213,818
Total Expenses	<u>\$ 778,218</u>	<u>\$ 625,392</u>	<u>\$ 903,841</u>	<u>\$ 754,406</u>

The dependence upon property and income tax is apparent as over 89% and 89% for 2011 and 2010 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, 2011
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 and completed in 2011.

The Government's Funds

Total governmental funds had receipts of \$1,031,568 and \$1,059,517 for 2011 and 2010 and disbursements of \$955,513 and \$1,000,561 for 2010 and 2009. The most significant change from the prior year in receipts is the decrease in miscellaneous receipts. The decrease disbursements is a decrease in Security of Person and Property.

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 2011 and 2010, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts for 2011 and below for 2010. The difference between final budgeted receipts and actual receipts was not significant after council certified to amend resources.

Final budgeted disbursements for 2011 and 2010 were \$704,189 and \$632,146. Actual disbursements for 2011 and 2010 were \$573,028 and \$527,006. 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, 2011
UNAUDITED**

Debt Administration

At December 31, 2011, the Village had \$14,171,400 in loans with the Ohio Water Development Authority, with \$361,781 due within one year for improvements to water and sewer utilities. The Village had \$214,346 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 \$40,000 with \$40,000 due in one year for improvements to water and sewer utilities. The Village had \$97,383 in loans with Peoples Bank which paid off the previous loans with the USDA with \$22,976 due in one year. This loan is paid from business-type activities. See footnote #11 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, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 234,999	\$ 603,317	\$ 838,316
Total Assets	<u>\$ 234,999</u>	<u>\$ 603,317</u>	<u>\$ 838,316</u>
NET ASSETS:			
Restricted for:			
Other Purposes	75,382	-	75,382
Debt Service	-	343,366	343,366
Unrestricted	<u>159,617</u>	<u>259,951</u>	<u>419,568</u>
Total Net Assets	<u><u>\$ 234,999</u></u>	<u><u>\$ 603,317</u></u>	<u><u>\$ 838,316</u></u>

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Security of Persons and Property	\$ 135,710	\$ 60,000	\$ -	\$ -	\$ (75,710)	\$ -	\$ (75,710)
Public Health Services	-	-	-	-	-	-	-
Leisure Time Activities	21,353	-	-	-	(21,353)	-	(21,353)
Community Environment	-	350	-	-	350	-	350
Basic Utility Services	56,671	-	-	-	(56,671)	-	(56,671)
Transportation	86,915	-	90,845	-	3,930	-	3,930
General Government	202,557	1,631	-	-	(200,926)	-	(200,926)
Debt Service - Principal	146,258	-	-	-	(146,258)	-	(146,258)
Debt Service-Interest	7,417	-	-	-	(7,417)	-	(7,417)
Miscellaneous	-	-	-	-	-	-	-
Capital Outlay	121,337	-	-	-	(121,337)	-	(121,337)
Total Governmental Activities	778,218	61,981	90,845	-	(625,392)	-	(625,392)
Business Type Activities							
Water	1,892,003	1,742,637	-	-	-	(149,366)	(149,366)
Sewer	3,107,024	694,556	-	-	-	(2,412,468)	(2,412,468)
Total Business Type Activities	4,999,027	2,437,193	-	-	-	(2,561,834)	(2,561,834)
Total	\$ 5,777,245	\$ 2,499,174	\$ 90,845	\$ -	(625,392)	(2,561,834)	(3,187,226)
General Receipts:							
Property Taxes					126,085	-	126,085
Municipal Income Tax					326,671	-	326,671
Other Taxes					5,160	-	5,160
Grants and Entitlements not Restricted to Specific Programs					135,549	-	135,549
Debt Proceeds					-	2,245,967	2,245,967
Earnings on Investments					2,817	-	2,817
Miscellaneous					105,165	34,714	139,879
Total General Receipts					701,447	2,280,681	2,982,128
Change in Net Assets					76,055	(281,153)	(205,098)
Net Assets Beginning of Year					158,944	884,470	1,043,414
Net Assets End of Year					\$ 234,999	\$ 603,317	\$ 838,316

See notes to the basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2011**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and cash Equivalents	\$ 159,617	\$ 75,382	\$ 234,999
Total Assets	\$ 159,617	\$ 75,382	\$ 234,999
 Fund Balances:			
Restricted	\$ -	\$ 75,382	\$ 75,382
Uassigned (Deficit)	159,617	-	159,617
Total Fund Balances	\$ 159,617	\$ 75,382	\$ 234,999

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, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS			
Property and Other Local Taxes	\$ 91,689	\$ 39,556	\$ 131,245
Municipal Income Tax	326,671	-	326,671
Intergovernmental	125,474	100,920	226,394
Charges for Services	-	60,000	60,000
Fines, Licenses, Permits	1,981	-	1,981
Earnings on Investments	2,761	56	2,817
Miscellaneous	67,415	37,750	105,165
Total Receipts	<u>615,991</u>	<u>238,282</u>	<u>854,273</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	74,737	60,973	135,710
Leisure Time Activities	-	21,353	21,353
Basic Utility Services	56,671	-	56,671
Transportation	-	86,915	86,915
General Government	200,942	1,615	202,557
Debt Service			
Principal Retirement	-	146,258	146,258
Interest and Fiscal Charges	-	7,417	7,417
Capital Outlay	62,326	59,011	121,337
Total Disbursements	<u>394,676</u>	<u>383,542</u>	<u>778,218</u>
Excess of Receipts Over (Under) Disbursements	221,315	(145,260)	76,055
Other Cash Financing Sources (Uses)			
Transfers In	-	177,295	177,295
Transfers Out	(177,295)	-	(177,295)
Total Other Financing Sources (Uses)	<u>(177,295)</u>	<u>177,295</u>	<u>-</u>
Net Change in Fund Balance	44,020	32,035	76,055
Cash Fund Balances Beginning of Year	<u>115,597</u>	<u>43,347</u>	<u>158,944</u>
Cash Fund Balances End of Year	<u>\$ 159,617</u>	<u>\$ 75,382</u>	<u>\$ 234,999</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 96,491	\$ 100,991	\$ 91,689	\$ (9,302)
Municipal Income Tax	315,000	318,000	326,671	8,671
Intergovernmental	82,306	119,306	125,474	6,168
Special Assessments	300	300	-	(300)
Fines, Licenses, Permits	2,000	2,500	1,981	(519)
Earnings on Investments	4,200	4,200	2,761	(1,439)
Miscellaneous	11,000	56,000	67,415	11,415
Total Receipts	<u>511,297</u>	<u>601,297</u>	<u>615,991</u>	<u>14,694</u>
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	84,744	84,744	75,214	9,530
Public Health Services	500	500	-	500
Basic Utility Services	68,000	68,000	56,671	11,329
General Government	263,577	264,605	201,522	63,083
Debt Service				
Principal	-	-	-	-
Capital Outlay	110,073	109,045	62,326	46,719
Total Disbursements	<u>526,894</u>	<u>526,894</u>	<u>395,733</u>	<u>131,161</u>
Excess of Receipts Over (Under) Disbursements	(15,597)	74,403	220,258	145,855
Other Cash Financing Sources (Uses)				
Other Financing Uses	-	-	-	-
Transfers Out	(100,000)	(177,295)	(177,295)	-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(177,295)</u>	<u>(177,295)</u>	<u>-</u>
Net Change in Fund Balance	(115,597)	(102,892)	42,963	145,855
Cash Fund Balances Beginning of Year	114,335	114,335	114,335	-
Prior Year Encumbrances Appropriated	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>-</u>
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ 12,705</u>	<u>\$ 158,560</u>	<u>\$ 145,855</u>

See notes to basic financial statements.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

**STATEMENT OF FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
December 31, 2011**

	<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>
ASSETS:						
Equity in Pooled Cash and cash Equivalents	\$ 98,907	\$ 126,140	\$ 167,453	\$ 175,913	\$ 34,904	\$ 603,317
Total Assets	<u>\$ 98,907</u>	<u>\$ 126,140</u>	<u>\$ 167,453</u>	<u>\$ 175,913</u>	<u>\$ 34,904</u>	<u>\$ 603,317</u>
Net Assets:						
Restricted for:						
Debt Service	-	-	167,453	175,913	-	343,366
Other Purposes	98,907	126,140	-	-	34,904	259,951
Total Net Assets	<u>\$ 98,907</u>	<u>\$ 126,140</u>	<u>\$ 167,453</u>	<u>\$ 175,913</u>	<u>\$ 34,904</u>	<u>\$ 603,317</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, 2011**

	<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>
OPERATING CASH RECEIPTS							
Charges for Services	\$ 1,082,180	\$ 366,176	\$ -	\$ 660,457	\$ 248,617	\$ 79,763	\$ 2,437,193
Total Operating Receipts	<u>1,082,180</u>	<u>366,176</u>	<u>-</u>	<u>660,457</u>	<u>248,617</u>	<u>79,763</u>	<u>2,437,193</u>
OPERATING CASH DISBURSEMENTS:							
Personal Services	316,934	116,039	-	-	-	35,559	468,532
Employee Fringe Benefits	178,356	53,026	-	-	-	20,352	251,734
Contractual Services	267,509	111,865	209,276	-	-	2,578	591,228
Supplies and Materials	188,889	31,070	-	-	-	3,897	223,856
Total Operating Disbursements	<u>951,688</u>	<u>312,000</u>	<u>209,276</u>	<u>-</u>	<u>-</u>	<u>62,386</u>	<u>1,535,350</u>
Operating Income (Loss)	130,492	54,176	(209,276)	660,457	248,617	17,377	901,843
Non-operating Cash Receipts (Disbursements)							
Intergovernmental	-	-	-	-	-	-	-
Debt Proceeds	-	-	2,245,967	-	-	-	2,245,967
Miscellaneous	25,395	7,559	-	-	-	1,760	34,714
Capital Outlay	(299,538)	(95,740)	(2,036,691)	-	-	(21,474)	(2,453,443)
Other Financing Uses	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	(410,942)	(321,995)	-	(732,937)
Interest	-	-	-	(229,835)	(47,462)	-	(277,297)
Total non-operating Cash Receipts (Disbursements)	<u>(274,143)</u>	<u>(88,181)</u>	<u>209,276</u>	<u>(640,777)</u>	<u>(369,457)</u>	<u>(19,714)</u>	<u>(1,182,996)</u>
Change in Net Assets	(143,651)	(34,005)	-	19,680	(120,840)	(2,337)	(281,153)
Cash Fund Balances Beginning of Year	<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>
Cash Fund Balances End of Year	<u>\$ 98,907</u>	<u>\$ 126,140</u>	<u>\$ -</u>	<u>\$ 167,453</u>	<u>\$ 175,913</u>	<u>\$ 34,904</u>	<u>\$ 603,317</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 8 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, except agency 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, department 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 2011 was \$2,761.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. 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 in the Enterprise Funds represents amounts set aside to satisfy debt requirements for current and future debt payments.

**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 9 and 10 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 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 park improvements.

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

M. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purpose with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

4. 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 restricted fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$1,056 for the General Fund.

5. 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.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS AND INVESTMENTS (Continued)

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;
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.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS AND INVESTMENTS (Continued)

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, \$694,804 of the Village's bank balance of \$944,804 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.

Investments

As of December 31, 2011, 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 repurchase agreement is 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.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS AND INVESTMENTS (Continued)

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.

6. 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.

7. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represent the collection of 2010 taxes.

2011 real property taxes are levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien at December 10, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$4.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 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

8. 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

Prior to 2009, the Village belonged 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 Ohio Governments (“Members”). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) – formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage’s, to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management (OPRM), are developed specific to each member’s needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,0000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this program.

The Plan formed the Ohio Healthcare Consortium (OPHC), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and December 31, 2009 respectively. The Village does not participate in this coverage.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. RISK MANAGEMENT

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.

The Pools 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.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$ 12,036,541	\$ 1,355,131	\$ 11,176,186	\$ 1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Retained Earnings	\$ 7,191,485	\$ 300,035	\$ 6,323,701	\$ 105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

9. DEFINED BENEFIT PENSION PLANS

a. Ohio Public Employees Retirement System

Plan Description - 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.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011 member and employer contribution rates were consistent across all three plans.

The Villages 2011 Contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$83,588, \$80,112, and \$77,081, respectively. The full amount has been contributed for 2011, 2010 and 2009.

a. Ohio Police and Fire Pension Fund

Plan Description - 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.

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police and firefighters for the years ended December 31, 2011, 2010, and 2009 were \$0, \$5,927, and \$25,521, respectively. The full amount has been contributed for 2011, 2010 and 2009.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. 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 for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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 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.

Disclosures for the health care plan are presently separately in the OPERS financial report which may be obtained by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

Funding Policy-The post-employment healthcare plan was established under, and is administered in accordance with , Internal Revenue Code 401(h). 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. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

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 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. 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. Active members do not make contributions to the post-employment health care plan.

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. 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, 2011, 2010, and 2009 were \$23,883, \$28,608 and \$27,526, 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.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 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).

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

10. POSTEMPLOYMENT BENEFITS (Continued)

b. Ohio Police and Fire Pension Fund

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 2011, 2010 and 2009 that were used to fund post-employment benefits were \$0, \$2,051 and \$8,507, respectfully, for police.

11. DEBT

The Village's long -term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance January 1 2011	Additions	Deductions	Balance December 31 2011	Amount Due Within One Year
<u>Governmental Activities</u>						
GO Bond-Street	4.20%	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -
Fire Truck Loan	3.56%	26,258	-	26,258	-	-
<u>Business-Type Activities</u>						
OWDA Loan #3553	2.00%	129,121	-	6,677	122,444	6,811
OWDA Loan #3563	2.00%	197,296	-	10,203	187,093	10,408
OWDA Loan #5174	0.00%	99,473	-	5,498	93,975	-
Peoples Bank Water	3.25%	145,000	-	47,617	97,383	22,976
OPWC #CT42D	0.00%	148,960	-	10,644	138,316	10,644
OPWC #CN937	0.00%	22,200	-	3,700	18,500	3,700
OPWC #CN821	0.00%	71,914	-	14,384	57,530	14,384
OWDA Loan #3672	1.50%	2,372,941	-	84,914	2,288,027	86,192
OWDA Loan #3785	1.50%	273,102	-	18,395	254,707	18,672
OWDA Loan #3906	1.50%	810,332	-	28,281	782,051	28,707
OWDA Loan #3907	1.50%	423,986	-	14,797	409,189	15,020
OWDA Loan #3924	1.50%	405,580	-	14,155	391,425	14,368
OWDA Loan #3942	3.85%	2,981,948	-	77,412	2,904,536	80,421
OWDA Loan #3943	1.50%	2,535,028	-	88,474	2,446,554	89,806
OWDA Loan #4397	2.00%	357,647	-	11,152	346,495	11,376
OWDA Loan #4601	4.82%	213,171	5,337	100,000	118,508	-
OWDA Loan #5243	1.00%	1,767,764	2,240,630	181,998	3,826,396	-
Mort. Rev. Bonds	3.1/6.6%	80,000	-	40,000	40,000	40,000
Total		<u>\$ 13,181,721</u>	<u>\$ 2,245,967</u>	<u>\$ 879,195</u>	<u>\$ 14,548,493</u>	<u>\$ 453,485</u>

**VILLAGE OF BYESVILLE
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

11. 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. This was paid off in 2011.

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%. This was paid off in 2011

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, 2011, 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, 2011, the Village has drawn \$109,957 on a \$109,957 loan with the Ohio Water Development Authority. This project related to a clearwell rehabilitation project.

At December 31, 2011, the Village has drawn \$4,008,394 on a \$4,008,394 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

11. DEBT (Continued)

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

Year	OWDA Loans		OPWC	Peoples Bank	
	Principal	Interest	Principal	Principal	Interest
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	393,002	190,482	14,344	803	66
2017-2021	2,093,813	823,486	53,220	-	-
2022-2026	2,273,436	587,737	31,876	-	-
2027-2031	2,370,739	329,450	-	-	-
2032-2036	1,508,603	62,660	-	-	-
2037-2041	-	-	-	-	-
Total	<u>\$ 10,132,521</u>	<u>\$ 2,834,793</u>	<u>\$ 214,346</u>	<u>\$ 97,383</u>	<u>\$ 11,612</u>

There is \$4,038,879 of OWDA loans not in the amortization schedule.

Year	Mortgage Revenue Bonds	
	Principal	Interest
2012	\$ 40,000	\$ 2,640
2013	-	-
2014	-	-
2015	-	-
2016	-	-
2017-2021	-	-
Total	<u>\$ 40,000</u>	<u>\$ 2,640</u>

12. INTERFUND TRANSFERS

During 2011 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>127,295</u>
Total Transfers from the General Fund	<u>\$ 177,295</u>

Transfers were made out of the Village's General Fund to subsidize debt service payments and parks and recreation in 2011.

13. 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

14. COMPLIANCE AND ACCOUNTABILITY

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

15. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Other Governmental Funds	Totals
Restricted For:			
Road Improvements	-	\$ 2,955	\$ 2,955
Parks and Recreation	-	25,108	25,108
Fire Operations	-	45,167	45,167
EMS Services	-	2,152	2,152
Total Restricted	-	75,382	75,382
Unassigned (Deficits)	159,617	-	159,617
Total Fund Balances	\$ 159,617	\$ 75,382	\$ 234,999

**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, 2011, and have issued our report thereon dated January 24, 2012, 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. The Village also adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in 2011. 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.

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 January 24, 2012.

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
January 24, 2012



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 24, 2012