



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

VILLAGE OF PIKETON
PIKE COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Village Council
Village of Piketon
PO Box 547
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Village of Piketon, Pike County, prepared by Balestra, Harr & Scherer, CPAs, 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 Piketon is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 13, 2012

This page intentionally left blank.

**VILLAGE OF PIKETON
PIKE COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	14
Statement of Cash Receipts, Disbursements and Changes in Fund Balances –Cash Basis - Governmental Funds	16
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – (Budget Basis) – General Fund	18
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – (Budget Basis) – Street Fund	19
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – (Budget Basis) – Permissive MVL Fund	20
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – (Budget Basis) – Police Fund	21
Statement of Fund Net Assets – Cash Basis – Proprietary Funds	22
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Funds	23
Notes to the Basic Financial Statements	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	42

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

Village of Piketon
Pike County
PO Box 547
Piketon, Ohio 45661

To the Village Council:

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 Piketon, Pike County, Ohio (the Village) as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

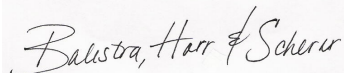
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business type-activities, each major fund and the aggregate remaining fund information of the Village of Piketon, Pike County, Ohio, as of December 31, 2011 and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General Fund, Street Fund, Permissive MVL Fund, and Police Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 12, during 2011 the Village of Piketon adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and business-type activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Balestra, Harr & Scherer, CPAs, Inc.

July 30, 2012

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

This discussion and analysis of the Village of Piketon'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 of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

Net assets of governmental activities increased insignificantly by \$43,217.

The Village's general receipts are primarily municipal income taxes, loan proceeds, property taxes, and unrestricted State shared revenues. These receipts represent \$519,821, \$403,471, \$102,593, and \$132,003, respectively, of the total cash received for governmental activities during the year.

The Village's major business-type activities are water and sewer operations. Net assets for water decreased \$67,072 for the year. Net assets for sewer increased \$45,266 for the year.

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 the 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 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 Piketon
Pike 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 its financial statements 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 related 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 Village as a Whole

One of the most important questions to be asked about the Village is "How did we do financially during 2011?"

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of the cash basis of accounting. The statement of net assets presents the cash and cash equivalent balances 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 program's 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. The comparison of cash disbursements with program receipts identifies how each governmental function or 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 non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, 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 income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities – Most of the Village's basic services are reported here, including police and transportation. State and federal grants and income 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 Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Business-type activities – The Village has three business-type activities, the provision of water and sewer utility services and guaranteed deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village'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 three categories: governmental, proprietary and fiduciary.

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 funds are the General Fund, Street Fund, Permissive MVL Fund and Police Fund. The programs reported in governmental funds match those reported in the governmental activities section of the entity-wide statements.

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 three enterprise funds: Water, Sewer, and Guaranteed Deposits.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's only fiduciary fund is an agency fund that accounts for the portion of the Mayor's Court activity that does not stay within the Village.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The Village as a Whole

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

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,133,011	\$1,089,794	\$956,935	\$978,741	\$2,089,946	\$2,068,535
Net Assets						
Restricted for Other Purposes	\$750,923	\$717,940	\$0	\$0	\$750,923	\$717,940
Unrestricted	382,088	371,854	956,935	978,741	1,339,023	1,350,595
Total Net Assets	\$1,133,011	\$1,089,794	\$956,935	\$978,741	\$2,089,946	\$2,068,535

As mentioned previously, net assets of governmental activities increased insignificantly during 2011. Net assets of Business-Type Activities decreased \$21,806, which is also insignificant.

Table 2 reflects the changes in net assets for 2011 and 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
Program Receipts:						
Charges for Services	\$53,234	\$50,113	\$602,826	\$608,592	\$656,060	\$658,705
Operating Grants and Contributions	86,076	97,518	0	0	86,076	97,518
Capital Grants	0	0	34,582	0	34,582	0
Total Program Receipts	\$139,310	\$147,631	\$637,408	\$608,592	\$776,718	\$756,223

(continued)

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

(Table 2)
Changes in Net Assets
 (continued)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
General Receipts:						
Property Taxes	\$102,593	\$113,738	\$0	\$0	\$102,593	\$113,738
Municipal Income Taxes	519,821	409,735	0	103,128	519,821	512,863
Other Local Taxes	53,681	48,358	0	0	53,681	48,358
Grants and Entitlements						
Not Restricted						
to Specific Programs	132,003	137,515	0	0	132,003	137,515
Loan Proceeds	403,471	455,509	31,379	26,474	434,850	481,983
Unrestricted Investment Earnings	2,635	3,842	2,177	1,610	4,812	5,452
Unrestricted Contributions						
and Donations	13,246	8,286	0	0	13,246	8,286
Miscellaneous	23,384	14,860	2,443	206	25,827	15,066
Total General Receipts	<u>1,250,834</u>	<u>1,191,843</u>	<u>35,999</u>	<u>131,418</u>	<u>1,286,833</u>	<u>1,323,261</u>
Total Receipts	<u>1,390,144</u>	<u>1,339,474</u>	<u>673,407</u>	<u>740,010</u>	<u>2,063,551</u>	<u>2,079,484</u>
Disbursements:						
General Government	168,695	160,649	0	0	168,695	160,649
Security of Persons						
and Property	242,535	243,647	0	0	242,535	243,647
Community Environment	9,757	10,023	0	0	9,757	10,023
Transportation	193,900	206,661	0	0	193,900	206,661
Capital Outlay	262,585	416,205	0	0	262,585	416,205
Principal Retirement	453,011	294,128	0	0	453,011	294,128
Interest and Fiscal Charges	16,444	13,934	0	0	16,444	13,934
Water	0	0	325,684	253,797	325,684	253,797
Sewer	0	0	369,529	387,005	369,529	387,005
Total Disbursements	<u>1,346,927</u>	<u>1,345,247</u>	<u>695,213</u>	<u>640,802</u>	<u>2,042,140</u>	<u>1,986,049</u>
Increase (Decrease) in Net Assets	43,217	(5,773)	(21,806)	99,208	21,411	93,435
Net Assets at Beginning of Year	<u>1,089,794</u>	<u>1,095,567</u>	<u>978,741</u>	<u>879,533</u>	<u>2,068,535</u>	<u>1,975,100</u>
Net Assets at End of Year	<u>\$1,133,011</u>	<u>\$1,089,794</u>	<u>\$956,935</u>	<u>\$978,741</u>	<u>\$2,089,946</u>	<u>\$2,068,535</u>

Governmental Activities

Governmental program receipts represent only \$139,310 of total receipts and are primarily comprised of restricted intergovernmental receipts such as grant monies, motor vehicle license and gas tax monies, building permits and inspection fees, and fines and forfeitures derived from police services.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

General receipts of governmental activities represent \$1,250,834 of the Village's total receipts for 2011. Municipal income taxes made up \$519,821 of the Village's general receipts, while loan proceeds were \$403,471, grants and entitlements not restricted to specific programs were \$132,003, and property taxes were \$102,593. The increase in municipal income taxes is due to the allocation approved by Council in 2011. This year all municipal income taxes were distributed to governmental activities as opposed to prior years where a portion was distributed to enterprise funds. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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, the Clerk-Treasurer, the Mayor, the Village Solicitor, and Mayor's Court.

Security of persons and property disbursements are the costs of police protection; community environment is the cost of the zoning officer and supplies; and transportation is the cost of maintaining the Village's roads.

Disbursements for capital outlay decreased \$153,620 from the prior year due to the Village purchasing the Administrative Building in 2010.

Disbursements for principal retirement increased \$158,883 and relates to the Administrative Building loan that began in 2010, but was refinanced in 2011 and shown as a principal reduction.

Business-Type Activities

The water and sewer operations of the Village are relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how they will be funded. The Village received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

Net assets of business-type activities decreased \$21,806, which is insignificant.

Receipts for Municipal Income Taxes decreased \$103,128 due to the allocation approved by Council. In prior years a portion had been distributed to Water Operations, but in 2011 there was no such allocation.

Disbursements for Water increased \$71,887. This relates to the Village beginning a Water Tank replacement project in 2011.

The Village's Funds

Total governmental funds had receipts of \$986,673 and disbursements of \$1,346,927.

The General Fund's balance decreased \$18,622, which is insignificant.

The Street Fund's balance increased \$36,079. This relates to the Street Fund receiving a larger allocation of Municipal Income Taxes in 2011.

The Permissive MVL Fund's balance increased \$21,180. The increase is due to the Village paying for street paving out of this fund in 2010 and not paying for any street paving in 2011 from this fund.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The Police Fund's balance increased \$3,070, which is insignificant.

General 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, the Village amended its General Fund budget as needed. Original and final budgeted receipts were \$249,079 and \$474,146, respectively. Final budgeted receipts were below actual receipts of \$581,483. The difference of \$107,337 is primarily due to income tax, property tax, other local tax, and intergovernmental receipts being higher than final estimates.

The original budgeted appropriations were \$423,601. The final budgeted appropriations were \$648,668, resulting in a \$225,067 increase, which is primarily due to the refinancing of the administrative building loan resulting in increased principal reduction. Actual disbursements were less than final budgeted appropriations by \$77,077, due primarily to an overestimate of general government, transportation, and capital outlay expenditures.

The Village's ending General Fund balance was \$184,414 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2011, the Village's outstanding enterprise debt was \$635,427 in OWDA and OPWC loans issued for improvements and expansion of the water and wastewater treatment plants. Outstanding governmental debt was \$395,963 for the loan issued for the Pike Hill Road project, the purchase of police cruisers, and the administrative building loan. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

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 have very little industry to support the tax base. Our forecasted revenues for 2011 were somewhat underestimated. The year was financially sound for all funds. The strategy set forth by the finance committee and the administration is working to assure that spending remains under control and all funds retain a positive balance.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Contacting the Village'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 Linda Nelson, Clerk-Treasurer, Village of Piketon, P.O. Box 547, Piketon, Ohio 45661.

Village of Piketon
Pike County
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,133,011	\$956,935	\$2,089,946
Net Assets			
Restricted for Other Purposes	\$750,923	\$0	\$750,923
Unrestricted	382,088	956,935	1,339,023
<i>Total Net Assets</i>	<u>\$1,133,011</u>	<u>\$956,935</u>	<u>\$2,089,946</u>

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities				
General Government	\$168,695	\$0	\$0	\$0
Security of Persons and Property	242,535	51,399	5,009	0
Community Environment	9,757	1,835	0	0
Transportation	193,900	0	81,067	0
Capital Outlay	262,585	0	0	0
Debt Service:				
Principal Retirement	453,011	0	0	0
Interest and Fiscal Charges	16,444	0	0	0
<i>Total Governmental Activities</i>	<u>1,346,927</u>	<u>53,234</u>	<u>86,076</u>	<u>0</u>
Business-Type Activities				
Water	325,684	208,136	0	18,551
Sewer	369,529	394,690	0	16,031
<i>Total Business-Type Activities</i>	<u>695,213</u>	<u>602,826</u>	<u>0</u>	<u>34,582</u>
<i>Total Activities</i>	<u>\$2,042,140</u>	<u>\$656,060</u>	<u>\$86,076</u>	<u>\$34,582</u>

General Receipts

Property Taxes Levied for:

 General Purposes

 Security of Persons and Property

Municipal Income Taxes

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Loan Proceeds

Unrestricted Investment Earnings

Unrestricted Contributions and Donations

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$168,695)	\$0	(\$168,695)
(186,127)	0	(186,127)
(7,922)	0	(7,922)
(112,833)	0	(112,833)
(262,585)	0	(262,585)
(453,011)	0	(453,011)
(16,444)	0	(16,444)
<u>(1,207,617)</u>	<u>0</u>	<u>(1,207,617)</u>
0	(98,997)	(98,997)
<u>0</u>	<u>41,192</u>	<u>41,192</u>
<u>0</u>	<u>(57,805)</u>	<u>(57,805)</u>
<u>(1,207,617)</u>	<u>(57,805)</u>	<u>(1,265,422)</u>
22,484	0	22,484
80,109	0	80,109
519,821	0	519,821
53,681	0	53,681
132,003	0	132,003
403,471	31,379	434,850
2,635	2,177	4,812
13,246	0	13,246
<u>23,384</u>	<u>2,443</u>	<u>25,827</u>
1,250,834	35,999	1,286,833
43,217	(21,806)	21,411
<u>1,089,794</u>	<u>978,741</u>	<u>2,068,535</u>
<u>\$1,133,011</u>	<u>\$956,935</u>	<u>\$2,089,946</u>

Village of Piketon
Pike County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2011

	General Fund	Street Fund	Permissive MVL Fund
Assets			
Equity in Pooled Cash and Cash Equivalents	\$541,602	\$218,902	\$192,561
Fund Balances			
Assigned	\$3,702	\$0	\$0
Restricted	0	218,902	192,561
Committed	155,812	0	0
Unassigned	382,088	0	0
<i>Total Fund Balances</i>	\$541,602	\$218,902	\$192,561

See accompanying notes to the basic financial statements

Police Fund	Other Governmental Funds	Total Governmental Funds
<u>\$174,587</u>	<u>\$5,359</u>	<u>\$1,133,011</u>
\$0	\$0	\$3,702
174,587	5,359	591,409
0	0	155,812
0	0	382,088
<u>\$174,587</u>	<u>\$5,359</u>	<u>\$1,133,011</u>

**Village of Piketon
Pike County**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011*

	General Fund	Street Fund	Permissive MVL Fund
Receipts			
Municipal Income Taxes	\$129,955	\$259,911	\$0
Property Taxes	22,484	0	0
Other Local Taxes	53,681	0	0
Fines, Licenses and Permits	1,835	0	0
Intergovernmental	132,003	18,419	61,155
Interest	2,584	0	34
Contributions and Donations	12,851	0	0
Miscellaneous	15,940	4,271	0
<i>Total Receipts</i>	<u>371,333</u>	<u>282,601</u>	<u>61,189</u>
Disbursements			
Current:			
General Government	168,725	0	0
Security of Persons and Property	22,950	0	0
Community Environment	9,757	0	0
Transportation	77,216	111,675	5,009
Capital Outlay	95,842	105,328	35,000
Debt Service:			
Principal Retirement	232,354	173,178	0
Interest and Fiscal Charges	8,178	6,519	0
<i>Total Disbursements</i>	<u>615,022</u>	<u>396,700</u>	<u>40,009</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(243,689)	(114,099)	21,180
Other Financing Sources			
Loan Proceeds	225,067	150,178	0
<i>Net Change in Fund Balances</i>	(18,622)	36,079	21,180
<i>Fund Balances at Beginning of Year - Restated (See Note 12)</i>	<u>560,224</u>	<u>182,823</u>	<u>171,381</u>
<i>Fund Balances at End of Year</i>	<u><u>\$541,602</u></u>	<u><u>\$218,902</u></u>	<u><u>\$192,561</u></u>

See accompanying notes to the basic financial statements

Police Fund	Other Governmental Funds	Total Governmental Funds
\$129,955	\$0	\$519,821
80,109	0	102,593
0	0	53,681
51,399	0	53,234
5,009	1,493	218,079
0	17	2,635
395	0	13,246
3,173	0	23,384
270,040	1,510	986,673
0	0	168,725
219,570	0	242,520
0	0	9,757
0	0	193,900
26,415	0	262,585
48,137	0	453,669
1,074	0	15,771
295,196	0	1,346,927
(25,156)	1,510	(360,254)
28,226	0	403,471
3,070	1,510	43,217
171,517	3,849	1,089,794
\$174,587	\$5,359	\$1,133,011

Village of Piketon
Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$115,000	\$115,000	\$129,955	\$14,955
Property Taxes	13,268	13,268	22,484	9,216
Other Local Taxes	39,320	39,320	53,681	14,361
Fines, Licenses and Permits	0	0	1,835	1,835
Intergovernmental	80,291	80,291	132,003	51,712
Interest	1,200	1,200	2,584	1,384
Contributions and Donations	0	0	12,851	12,851
Miscellaneous	0	0	1,023	1,023
<i>Total Receipts</i>	<u>249,079</u>	<u>249,079</u>	<u>356,416</u>	<u>107,337</u>
Disbursements				
Current:				
General Government	200,592	200,592	171,291	29,301
Security of Persons and Property	28,000	28,000	22,950	5,050
Community Environment	10,780	10,780	10,037	743
Transportation	97,135	97,135	78,041	19,094
Capital Outlay	70,144	70,144	48,740	21,404
Debt Service:				
Principal Retirement	7,800	232,867	232,354	513
Interest and Fiscal Charges	9,150	9,150	8,178	972
<i>Total Disbursements</i>	<u>423,601</u>	<u>648,668</u>	<u>571,591</u>	<u>77,077</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(174,522)	(399,589)	(215,175)	184,414
Other Financing Sources				
Loan Proceeds	0	225,067	225,067	0
<i>Net Change in Fund Balance</i>	(174,522)	(174,522)	9,892	184,414
<i>Fund Balance at Beginning of Year</i>	328,352	328,352	328,352	0
Prior Year Encumbrances Appropriated	43,499	43,499	43,499	0
<i>Fund Balance at End of Year</i>	<u>\$197,329</u>	<u>\$197,329</u>	<u>\$381,743</u>	<u>\$184,414</u>

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Street Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$51,340	\$230,000	\$259,911	\$29,911
Intergovernmental	52,850	240,000	18,419	(221,581)
Interest	151	1,000	0	(1,000)
Miscellaneous	0	0	4,271	4,271
<i>Total Receipts</i>	<u>104,341</u>	<u>471,000</u>	<u>282,601</u>	<u>(188,399)</u>
Disbursements				
Current:				
Transportation	121,916	121,916	112,581	9,335
Capital Outlay	66,724	336,546	135,328	201,218
Debt Service:				
Principal Retirement	23,000	173,178	172,740	438
Interest and Fiscal Charges	7,400	7,400	6,957	443
<i>Total Disbursements</i>	<u>219,040</u>	<u>639,040</u>	<u>427,606</u>	<u>211,434</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(114,699)	(168,040)	(145,005)	23,035
Other Financing Sources				
Loan Proceeds	46,659	360,178	150,178	(210,000)
<i>Total Other Financing Sources (Uses)</i>	<u>46,659</u>	<u>360,178</u>	<u>150,178</u>	<u>(210,000)</u>
<i>Net Change in Fund Balance</i>	(68,040)	192,138	5,173	(186,965)
<i>Fund Balance at Beginning of Year</i>	180,183	180,183	180,183	0
Prior Year Encumbrances Appropriated	2,638	2,638	2,638	0
<i>Fund Balance at End of Year</i>	<u>\$114,781</u>	<u>\$374,959</u>	<u>\$187,994</u>	<u>(\$186,965)</u>

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Permissive MVL Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$57,700	\$57,700	\$61,155	\$3,455
Interest	0	0	34	34
<i>Total Receipts</i>	<u>57,700</u>	<u>57,700</u>	<u>61,189</u>	<u>3,489</u>
Disbursements				
Current:				
Transportation	50,086	50,086	10,846	39,240
Capital Outlay	40,000	40,000	35,000	5,000
<i>Total Disbursements</i>	<u>90,086</u>	<u>90,086</u>	<u>45,846</u>	<u>44,240</u>
<i>Net Change in Fund Balance</i>	(32,386)	(32,386)	15,343	47,729
<i>Fund Balance at Beginning of Year</i>	171,295	171,295	171,295	0
Prior Year Encumbrances Appropriated	86	86	86	0
<i>Fund Balance at End of Year</i>	<u>\$138,995</u>	<u>\$138,995</u>	<u>\$186,724</u>	<u>\$47,729</u>

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Police Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$115,000	\$115,000	\$129,955	\$14,955
Property Taxes	47,385	47,385	\$80,109	32,724
Fines, Licenses and Permits	52,400	52,400	48,278	(4,122)
Intergovernmental	5,500	5,500	5,009	(491)
Contributions and Donations	0	0	395	395
Miscellaneous	0	0	3,173	3,173
<i>Total Receipts</i>	<u>220,285</u>	<u>220,285</u>	<u>266,919</u>	<u>46,634</u>
Disbursements				
Current:				
Security of Persons and Property	247,054	247,054	225,730	21,324
Capital Outlay	27,000	27,000	26,415	585
Debt Service:				
Principal Retirement	22,000	50,226	48,111	2,115
Interest and Fiscal Charges	3,000	3,000	1,085	1,915
<i>Total Disbursements</i>	<u>299,054</u>	<u>327,280</u>	<u>301,341</u>	<u>25,939</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(78,769)	(106,995)	(34,422)	72,573
Other Financing Sources				
Loan Proceeds	0	28,226	28,226	0
<i>Net Change in Fund Balance</i>	(78,769)	(78,769)	(6,196)	72,573
<i>Fund Balance at Beginning of Year</i>	164,220	164,220	164,220	0
Prior Year Encumbrances Appropriated	4,054	4,054	4,054	0
<i>Fund Balance at End of Year</i>	<u>\$89,505</u>	<u>\$89,505</u>	<u>\$162,078</u>	<u>\$72,573</u>

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2011

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$342,658	\$609,438	\$4,839	\$956,935
Net Assets				
Unrestricted	\$342,658	\$609,438	\$4,839	\$956,935

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Fund	
Operating Receipts				
Charges for Services	\$208,136	\$394,690	\$0	\$602,826
Intergovernmental	18,551	16,031	0	34,582
Interest	0	2,177	0	2,177
Other	546	1,897	0	2,443
<i>Total Operating Receipts</i>	<u>227,233</u>	<u>414,795</u>	<u>0</u>	<u>642,028</u>
Operating Disbursements				
Personal Services	47,924	66,313	0	114,237
Contractual Services	62,691	92,313	0	155,004
Materials and Supplies	39,925	28,729	0	68,654
Debt Service Principal	17,421	109,327	0	126,748
Interest and Fiscal Charges	1,042	28,539	0	29,581
Capital Outlay	156,681	44,308	0	200,989
<i>Total Operating Disbursements</i>	<u>325,684</u>	<u>369,529</u>	<u>0</u>	<u>695,213</u>
<i>Operating Income (Loss)</i>	(98,451)	45,266	0	(53,185)
Non-Operating Receipts				
Loan Proceeds	31,379	0	0	31,379
<i>Change in Net Assets</i>	(67,072)	45,266	0	(21,806)
<i>Net Assets at Beginning of Year</i>	<u>409,730</u>	<u>564,172</u>	<u>4,839</u>	<u>978,741</u>
<i>Net Assets at End of Year</i>	<u>\$342,658</u>	<u>\$609,438</u>	<u>\$4,839</u>	<u>\$956,935</u>

See accompanying notes to the basic financial statements

Village of Piketon

Pike County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2011*

Note 1 – Reporting Entity

The Village of Piketon, Pike County, Ohio (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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

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 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. The Village has no component units.

The financial statements exclude the Piketon Activity Committee which performs activities within the Village's boundaries for the benefit of its residents because the Village is not financially accountable for this entity nor are they fiscally dependent on the Village.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, 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. Generally accepted accounting principles (GAAP) 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:

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

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, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents 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 program's 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.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

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 three categories: governmental, proprietary, and fiduciary.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Fund, Permissive MVL Fund, and Police Fund.

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.

Street Fund - The Street Fund is required by the Ohio Revised Code to account for and report State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the Village.

Permissive MVL Fund - The Permissive MVL Fund is used to account for and report the Village's share of the motor vehicle license tax levied by the Village that is restricted for routine street maintenance and repairs.

Police Fund - The Police Fund is used to account for and report a property tax levy, as well as income tax monies committed by the Village, to provide police services.

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. The proprietary funds of the Village are enterprise funds.

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 and sewer funds.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's only fiduciary fund is an agency fund. The Village's agency fund accounts for the portion of the Mayor's Court activity that does not stay within the Village. The agency fund balance was zero as of December 31, 2011.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for 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.

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 sets limits on cash 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. 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 appropriations 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 Council during the year.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

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 \$2,584, which includes \$1,921 assigned from other Village funds.

F. 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.

G. 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.

H. 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.

I. 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 7 and 8, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

J. Long-Term Obligations

The Village’s cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the maintenance of streets and State highways within the Village and drug enforcement.

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

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

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:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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. The nonspendable fund balances for the Village include the long-term amount of interfund loans, prepaid items, and inventory.

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. 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 or enabling legislation (Village ordinances).

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 that 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 other 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, committed fund balance classification may be redeployed for other purposes 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 are 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.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies (continued)

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 the 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 Village Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and 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.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund and the Street, Permissive MVL, Police major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as reservations of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$3,702 for the General Fund, \$30,908 for the Street Fund, \$5,837 for the Permissive MVL Fund, and \$6,145 for the Police Fund. The Police Fund also had unrecorded cash related to Mayor’s Court in the amount of \$6,364 for 2011. As part of the Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” certain funds that were previously reported as special revenue funds are now considered part of the General Fund on a cash basis. This includes the Revolving Loan Fund and Other Revolving Loan Fund. These funds were excluded from the budgetary presentation for the General Fund. Had we included these funds, the fund balance at the end of the year on the budgetary presentation would have increased by \$159,859.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute 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.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Deposits and Investments (continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAROhio); and
7. Commercial paper and banker's acceptances if training requirements have been met.

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.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Deposits and Investments (continued)

Deposits

For Deposits, custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposits in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual amounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Village has no deposit policy for custodial risk beyond the requirements of State statute.

As of December 31, 2011, the Village's bank balance of \$2,111,233 was either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2011 for real and public utility property taxes represent the collection of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values 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 circumstances, 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 became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$4.75 per \$1,000 of assessed value. The assessed values of real property and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$16,998,390
Commercial/Industrial	8,017,550
Tangible Personal Property:	
Public Utility	1,192,390
Total Property Taxes	<u>\$26,208,330</u>

Village of Piketon

Pike County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2011*

Note 6 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains comprehensive insurance coverage through the Public Entities Pool of Ohio (PEP), a risk sharing pool, for building contents, vehicles, general liability, public official and police professional liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

Note 7 – 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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr/shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in State and local classifications contributed 10 percent of covered payroll and 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.

Village of Piketon

Pike County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2011*

Note 7 – Defined Benefit Pension Plans (continued)

The Village's 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 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates were actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$38,706, \$35,476, and \$28,176, respectively; 100 percent has been contributed for all years. Contributions to the Member-Directed Plan for 2011 were \$2,759 made by the Village and \$1,970 made by plan members.

B. 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 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 Village has no 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. The Village's pension contributions to OP&F for police for the years ended December 31, 2011, 2010, and 2009 were \$4,144, \$3,977, and \$3,673, respectively. The full amount has been contributed for all years.

Note 8 – Post-employment Benefits

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined 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.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 8 – Post-employment Benefits (continued)

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care 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, age-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 benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr/shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution 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 2010, State and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board 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 in the Traditional Plan was 4.0 percent in 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

The OPERS Retirement Board 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 the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$15,482, \$18,169, and \$18,231, respectively; 100 percent has been contributed for all years.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2011*

Note 8 – Post-employment Benefits (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates 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 on January 1, 2006, with a final rate increase on 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 Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required 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 Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. 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 administrated 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 health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 8 – Post-employment Benefits (continued)

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care 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 contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2011, 2010, and 2009 were \$2,194, \$2,105, and \$2,044, respectively. The full amount has been contributed for all years. The Village has no firefighters.

Note 9 – Debt

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

	Principal Outstanding 12/31/10	Additions	Deductions	Principal Outstanding 12/31/11	Due Within One Year
<u>Business-Type Activities:</u>					
1989 OWDA Loan 8.07%					
Original Issue (\$1,308,331)	\$407,708	\$0	\$90,395	\$317,313	\$97,689
2002 OPWC Loan 0%					
Original Issue (\$351,499)	210,900	0	17,575	193,325	17,575
2005 OPWC Loan 0%					
Original Issue (\$116,096)	87,072	0	5,804	81,268	5,805
2010 OPWC Loan 0%					
Original Issue (\$27,152)	25,116	0	1,358	23,758	1,358
2011 OWDA Loan 2.0%					
Original Issue (\$121,529)	0	31,379	11,616	19,763	0
Total Business-Type Activities					
Long-Term Obligations	<u>730,796</u>	<u>31,379</u>	<u>126,748</u>	<u>635,427</u>	<u>122,427</u>
<u>Governmental Activities:</u>					
2007 Pike Hill Construction Loan					
3.75% Original Issue (\$233,000)	173,178	150,178	173,178	150,178	150,178
2009 Police Cruiser Loan 3.00%					
Original Issue (\$30,000)	19,500	9,455	19,500	9,455	9,455
2010 Police Cruiser Loan 3.75%					
Original Issue (\$30,000)	24,483	18,771	28,637	14,617	14,617
2010 Administrative Building Loan					
Original Issue (\$232,005)	229,000	225,067	232,354	221,713	221,713
Total Governmental Activities					
Long-Term Obligations	<u>446,161</u>	<u>403,471</u>	<u>453,669</u>	<u>395,963</u>	<u>395,963</u>
Total Long-Term Obligations	<u>\$1,176,957</u>	<u>\$434,850</u>	<u>\$580,417</u>	<u>\$1,031,390</u>	<u>\$518,390</u>

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 – Debt (continued)

The 1989 Ohio Water Development Authority (OWDA) Loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, including interest, over 25 years.

The 2002 Ohio Public Works Commission (OPWC) Loan relates to a wastewater treatment plant upgrade. The loan will be repaid in semiannual installments over 20 years.

The 2005 Ohio Public Works Commission (OPWC) Loan relates to the water treatment plant renovation. The loan will be repaid in semiannual installments over 20 years.

The 2010 Ohio Public Works Commission (OPWC) Loan relates to the water and wastewater treatment plant upgrades. The loan will be repaid in semiannual installments over 20 years.

The 2011 Ohio Water Development Authority (OWDA) Loan relates to a water tank replacement design project. The loan will be paid in semiannual installments over 5 years. The future debt service requirement for this loan is not presented in 2011 because the final amortization schedule had not been provided to the Village as of end of year.

The 2007 Pike Hill Construction Loan relates to the replacement of Pike Hill Road. The loan will be repaid in monthly installments over 10 years.

The 2009 Police Cruiser Loan relates to the purchase of a new police cruiser. The loan will be repaid in monthly installments over three years.

The 2010 Police Cruiser Loan relates to the purchase of a new police cruiser. The loan will be repaid in monthly installments over three years.

The 2010 Administrative Building Loan relates to the purchase of the administration building and the retirement of the Land Installment Contract. The loan will be repaid in monthly installments over 20 years.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 – Debt (continued)

The following is a summary of the Village’s future annual debt service requirements:

<i>Year</i>	<i>Business-Type Activities</i>			
	<i>Sewer OWDA Loan</i>		<i>Sewer OPWC Loans</i>	<i>Water OPWC Loans</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Principal</i>
2012	97,689	22,212	18,254	6,484
2013	105,573	15,374	18,254	6,484
2014	114,051	8,026	18,254	6,484
2015	0	0	18,254	6,484
2016	0	0	18,254	6,484
2017-2021	0	0	91,270	32,420
2022-2026	0	0	20,970	26,614
2027-2031	0	0	1,694	1,693
Totals	\$317,313	\$45,612	\$205,204	\$93,147

<i>Year</i>	<i>Governmental Activities</i>					
	<i>Pike Hill Project</i>		<i>Police Cruisers</i>		<i>Administrative Building</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2012	\$150,178	\$5,632	\$24,072	\$988	\$221,713	\$9,003

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amounts equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$2,355,912 and an unvoted debt margin of \$1,045,495.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2011*

Note 10 – 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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General	Street Fund	Permissive MVL Fund	Police Fund	Other Governmental Funds	Total
<u>Assigned for:</u>						
Unpaid Obligations	\$3,702	\$0	\$0	\$0	\$0	\$3,702
<u>Restricted for:</u>						
Transportation Services	0	218,902	192,561	0	5,359	416,822
Police Services	0	0	0	174,587	0	174,587
Total Restricted	0	218,902	192,561	174,587	5,359	591,409
<u>Committed to:</u>						
Revolving Loans	155,812	0	0	0	0	155,812
<u>Unassigned</u>	382,088	0	0	0	0	382,088
Total Fund Balances	\$ 541,602	\$ 218,902	\$ 192,561	\$ 174,587	\$ 5,359	\$ 1,133,011

Note 11 – Contingent Liabilities

A. Litigation

The Village is party to various legal proceedings. The Village's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

B. Federal and State Grants

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 Piketon

Pike County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2011

Note 12 – Change in Accounting Principle

The Village has implemented Governmental Accounting Standards 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 this statement resulted in the following change to fund balances at December 31, 2010:

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, December 31, 2010 as Previously Reported	\$371,854	\$187,999	\$4,220
Reclassification of Funds	<u>188,370</u>	<u>(187,999)</u>	<u>(371)</u>
Fund Balance, December 31, 2010, as Restated	<u><u>\$560,224</u></u>	<u><u>\$0</u></u>	<u><u>\$3,849</u></u>



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Piketon
Pike County
PO Box 547
Piketon, Ohio 45661

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Piketon, Pike County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated July 30, 2012 wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and wherein we noted the Village implemented GASB Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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.

Village of Piketon

Pike County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

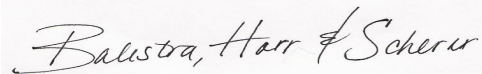
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 30, 2012.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

July 30, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF PIKETON

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2012