

**VILLAGE OF BELLVILLE
RICHLAND COUNTY**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Bellville
142 Park Place
Bellville, Ohio 44813

We have reviewed the *Independent Accountants' Report* of the Village of Bellville, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Bellville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2008

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VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bellville
Richland County
142 Park Place
Bellville, Ohio 44813

To The Village Council:

We have audited the accompanying financial statements of the Village of Bellville (Village), Richland County, Ohio as and for the years ended December 31, 2007 and 2006. 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 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Bellville, Richland County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2008, 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, 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 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.

Charles E. Harris & Associates, Inc.
May 23, 2008

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2007

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent Fund	
RECEIPTS:					
Property and Local Taxes	\$ 135,420	\$ 577,743	-	-	\$ 713,163
Intergovernmental	65,657	121,961	-	-	187,618
Charges for Services	-	56,666	-	-	56,666
Fines, Licenses and Permits	68,078	1,837	-	-	69,915
Earnings on Investments	34,151	1,765	-	\$ 660	36,576
Miscellaneous	6,765	41,847	-	-	48,612
Total Cash Receipts	310,071	801,819	-	660	1,112,550
DISBURSEMENTS:					
Security of Persons and Property	318,272	64,682	-	-	382,954
Public Health Services	-	90,118	-	660	90,778
Leisure Time Activities	-	37,446	-	-	37,446
Transportation	-	289,582	-	-	289,582
General Government	348,430	51,728	-	-	400,158
Capital Outlay	-	107,587	\$ 350,469	-	458,056
Debt Service:					
Retirement of Principal	480,000	9,242	830,244	-	1,319,486
Interest and Fiscal Charges	17,549	16,608	-	-	34,157
Total Cash Disbursements	1,164,251	666,993	1,180,713	660	3,012,617
Cash Receipts Over/(Under) Cash Disbursements	(854,180)	134,826	(1,180,713)	-	(1,900,067)
Other Financing Sources (Uses):					
Sale of Notes	480,000	74,554	809,012	-	1,363,566
Other Financing Uses	(845)	(630)	-	-	(1,475)
Advances In	14,644	-	-	3,494	18,138
Advances Out	(4,644)	(3,494)	-	-	(8,138)
Transfers In	362,953	143,248	5,300	-	511,501
Transfers Out	(51,334)	(397,588)	-	-	(448,922)
Total Other Financing Sources (Uses)	800,774	(183,910)	814,312	3,494	1,434,670
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(53,406)	(49,084)	(366,401)	3,494	(465,397)
Fund Cash Balance, January 1, 2007	60,233	468,210	370,647	11,903	910,993
Fund Cash Balance, December 31, 2007	\$ 6,827	\$ 419,126	\$ 4,246	\$ 15,397	\$ 445,596
Reserve for Encumbrances, December 31, 2007	\$ 2,752	\$ 23,928	\$ -	\$ -	\$ 26,680

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH
 ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 For the Year Ended December 31, 2007

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>(Memorandum Only) Total</u>
	<u>Enterprise</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 365,092	-	\$ 365,092
Total Operating Cash Receipts	365,092	-	365,092
OPERATING CASH DISBURSEMENTS			
Personal Services	80,954	-	80,954
Employee Fringe Benefits	36,795	-	36,795
Contractual Services	40,643	-	40,643
Materials and Supplies	46,661	-	46,661
Capital Outlay	132,404	-	132,404
Total Operating Cash Disbursements	337,457	-	337,457
Operating Income (Loss)	27,635	-	27,635
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Sale of Notes	250,625	-	250,625
Bed Tax	-	\$ 93,406	93,406
Fines, Licenses and Permits	-	60,859	60,859
Distribution of Bed Tax	-	(30,827)	(30,827)
Distribution of Fines, Licenses and Permits	-	(56,753)	(56,753)
Debt Service:			
Retirement of Principal	(83,668)	-	(83,668)
Interest and Fiscal Charges	(185,556)	-	(185,556)
Total Non Operating Cash Receipts (Disbursements)	(18,599)	66,685	48,086
Transfers Out	-	(62,579)	(62,579)
Advances In	4,644	-	4,644
Advances Out	(14,644)	-	(14,644)
Excess of Cash Receipts Over/(Under) Cash Disbursements	(964)	4,106	3,142
Fund Cash Balance, January 1, 2007	207,758	-	207,758
Fund Cash Balance, December 31, 2007	\$ 206,794	\$ 4,106	\$ 210,900
Reserve for Encumbrances, December 31, 2007	\$ 654	-	\$ 654

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2006

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent Fund	
RECEIPTS:					
Property and Local Taxes	\$ 151,098	\$ 581,350	-	-	\$ 732,448
Intergovernmental	95,238	104,629	-	-	199,867
Charges for Services	-	66,207	-	-	66,207
Fines, Licenses and Permits	65,100	1,693	-	-	66,793
Earnings on Investments	34,911	1,006	-	459	36,376
Miscellaneous	18,331	54,139	-	-	72,470
Total Cash Receipts	364,678	809,024	-	459	1,174,161
DISBURSEMENTS:					
Security of Persons and Property	314,733	22,021	-	-	336,754
Public Health Services	-	90,992	-	-	90,992
Leisure Time Activities	-	71,024	-	-	71,024
Transportation	-	223,484	-	-	223,484
General Government	299,389	17,323	-	-	316,712
Capital Outlay	-	7,275	\$ 65,518	-	72,793
Debt Service:					
Retirement of Principal	540,000	20,469	405,000	-	965,469
Interest and Fiscal Charges	-	18,946	-	-	18,946
Total Cash Disbursements	1,154,122	471,534	470,518	-	2,096,174
Cash Receipts Over/(Under) Cash Disbursements	(789,444)	337,490	(470,518)	459	(922,013)
Other Financing Sources (Uses):					
Sale of Notes	540,000	-	825,838	-	1,365,838
Other Financing Uses	(156)	(2,985)	-	-	(3,141)
Advances In	6,000	-	-	\$ 3,494	9,494
Advances Out	(16,000)	(3,494)	-	-	(19,494)
Transfers In	288,598	113,812	-	-	402,410
Transfers Out	(18,000)	(384,410)	-	-	(402,410)
Total Other Financing Sources (Uses)	800,442	(277,077)	825,838	3,494	1,352,697
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	10,998	60,413	355,320	3,953	430,684
Fund Cash Balance, January 1, 2006, See Note 13	49,235	407,797	15,327	7,950	480,309
Fund Cash Balance, December 31, 2006	\$ 60,233	\$ 468,210	\$ 370,647	\$ 11,903	\$ 910,993
Reserve for Encumbrances, December 31, 2006	\$ 2,180	\$ 1,431	\$ -	\$ -	\$ 3,611

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2006

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>(Memorandum Only) Total</u>
	<u>Enterprise</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 330,063	-	\$ 330,063
Total Operating Cash Receipts	330,063	-	330,063
OPERATING CASH DISBURSEMENTS			
Personal Services	94,692	-	94,692
Employee Fringe Benefits	42,343	-	42,343
Contractual Services	45,719	-	45,719
Materials and Supplies	35,008	-	35,008
Capital Outlay	44,673	-	44,673
Total Operating Cash Disbursements	262,435	-	262,435
Operating Income (Loss)	67,628	-	67,628
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Sale of Notes	116,435	-	116,435
Sale of Fixed Assets	15,715	-	15,715
Bed Tax	-	\$ 62,939	62,939
Fines, Licenses and Permits	-	55,110	55,110
Distribution of Bed Tax	-	(62,939)	(62,939)
Distribution of Fines, Licenses and Permits	-	(55,110)	(55,110)
Debt Service:			
Retirement of Principal	(65,621)	-	(65,621)
Interest and Fiscal Charges	(144,400)	-	(144,400)
Total Non Operating Cash Receipts (Disbursements)	(77,871)	-	(77,871)
Advances In	16,000	-	16,000
Advances Out	(6,000)	-	(6,000)
Excess of Cash Receipts Over/(Under) Cash Disbursements	(243)	-	(243)
Fund Cash Balance, January 1, 2006, See Note 13	208,001	-	208,001
Fund Cash Balance, December 31, 2006	\$ 207,758	\$ -	\$ 207,758
Reserve for Encumbrances, December 31, 2006	\$ 686	\$ -	\$ 686

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Bellville, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services including water and sewer utilities, park operations (leisure time activities), police protection and mayor's court. The Village contracts with Washington Township and the Jefferson Township-Bellville Volunteer Fire Department to provide fire protection services.

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

B. BASIS OF ACCOUNTING

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

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

C. INVESTMENTS AND INACTIVE FUNDS

The Village maintains cash in an interest-bearing checking account. Also, the Village has an account with STAR Ohio.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of the sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

1. **General Fund**

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

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

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

Street Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

Income Tax Fund – This fund receives income taxes and distributes them in accordance with Village ordinances.

3. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Projects Funds:

Issue II Fund – This fund was created to account for the Ohio Public Works Commission funds used to construct a culvert.

Police Station Construction Fund - The Village sold bond anticipation notes used for the construction of a police station.

4. **Enterprise Funds**

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

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

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

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

5. **Permanent Fund**

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal are available to support the Village's programs. The Village had the following significant Permanent Fund:

Cemetery Endowment Fund- This fund receives proceeds of interest earned on the principal amount to be used for the perpetual care of the Village cemetery.

6. **Fiduciary Funds**

These funds are used to account for activity in which the Village is acting in an agency capacity. The Village had the following significant Agency funds:

Bed Tax Fund – This fund receives taxes charged to customers for staying at the hotels and motels located within the Village limits. 50% of funds collected from three of the four hotels/motels are paid to Washington Township per their annexation agreement with the Township. The remaining funds are transferred to the General Fund.

Mayor's Court Agency Fund- This fund receives fines and forfeitures for the Mayor's Court to be distributed to the Village and the State of Ohio.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 639,000	\$1,104,890
Savings Accounts	2,500	2,367
STAR-Ohio	14,996	11,494
Total	<u>\$ 656,496</u>	<u>\$1,118,751</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 is as follows:

2007 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,207,184	\$ 1,153,024	\$ (54,160)
Special Revenue	953,142	1,019,621	66,479
Capital Projects	811,935	814,312	2,377
Enterprise	566,987	615,717	48,730
Permanent	4,220	660	(3,560)
Total	\$ 3,543,468	\$ 3,603,334	\$ 59,866

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,247,361	\$ 1,219,182	\$ 28,179
Special Revenue	1,155,201	1,089,139	66,062
Capital Projects	1,180,782	1,180,713	69
Enterprise	618,525	607,335	11,190
Permanent	720	660	60
Total	\$ 4,202,589	\$ 4,097,029	\$ 105,560

2006 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,215,403	\$ 1,193,276	\$ (22,127)
Special Revenue	948,279	922,836	(25,443)
Capital Projects	825,838	825,838	0
Enterprise	465,535	462,213	(3,322)
Permanent	0	459	459
Total	\$ 3,455,055	\$ 3,404,622	\$ (50,433)

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006

3. BUDGETARY ACTIVITY – (continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,261,520	\$ 1,174,458	\$ 87,062
Special Revenue	1,112,238	860,360	251,878
Capital Projects	825,000	470,518	354,482
Enterprise	536,560	473,142	63,418
Permanent	7,950	0	7,950
Total	\$ 3,743,268	\$ 2,978,478	\$ 764,790

4. PROPERTY TAXES

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

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

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

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

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants gross salaries. For 2007, OPERS members contributed 9.5% of their wages. The Village contributed an amount equal to 13.85% of participants gross salaries. The Village has paid all contributions required through December 31, 2007.

Contribution rates are also prescribed by the Ohio Revised Code. For both years, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% for police officers of participants' gross salaries during the years. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006

6. LOCAL INCOME TAX

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

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

Seventy-five percent of the income tax is transferred to the General Fund and twenty-five percent is transferred every year into the Street Construction and Maintenance and Repair Fund per Village ordinance.

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
BAN - Various Purposes	\$ 900,000	4.12%
BAN - Capital Facilities	389,850	3.74%
2005 OPWC Durbin Street Culvert Replacement	89,141	0.00%
OWDA	304,817	4.49%
John Deere Backhoe	29,628	0.00%
Kansas State Bank of Manhattan Backhoe	44,000	1.00%
Key Government Finance Truck	32,954	4.76%
Total	<u>\$ 1,790,390</u>	

The Bond Anticipation Notes (BAN)-Water System were obtained to construct water lines to annexed properties around Ohio Route 97 in Jefferson and Washington Townships. The Bond Anticipation Notes-Water System were combined with the Bond Anticipation Notes – Police Building Construction into the Bond Anticipation Notes –Various Purpose. The anticipation notes are renewed every year. The Village paid down \$60,000 in principal plus interest each year in the Water Operating Fund. The remainder of the principal was paid out of the General Fund. The principal for the police station portion of the BAN was paid from the Police Construction Fund. The interest for the police station portion of the BAN was paid from the General Fund.

The Bond Anticipation Notes-Capital Facility was obtained to construct a maintenance building. The anticipation notes are renewed every year. The principal is paid out of the Capital Projects Fund. The interest is paid out of the Street Construction Maintenance and Repair Fund.

The 2005 OPWC (Ohio Public Works Commission) loan is a no interest loan that was obtained to improve the Durbin Street Culvert. The loan will be paid in semi-annual installments over 20 years. This loan was paid out of the Capital Projects Fund.

**VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006**

7. DEBT - (continued)

The Ohio Water Development Authority (OWDA) loan relates to the improvement of the waste water treatment facility. OWDA approved \$358,123 for the loan to be paid over 20 years. All funds have not been distributed as of December 31, 2007. An amortization schedule is not available.

The John Deere Credit loan was for the purchase of a back hoe. The loan is for three years with quarterly principal payments of \$2,778. The loan is principal only. The loan will be repaid out of the Cemetery Operating Fund.

The Kansas State Bank of Manhattan loan was for the purchase of a Case back hoe. The loan is for four years with an annual payment of \$12,408. The loan will be repaid out of the Street Construction, Maintenance and Repair Fund.

The Key Government Finance loan was for the purchase of a truck. The loan is for four years with an annual principal payment of \$12,046. The loan will be repaid out of the Sewer Fund.

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

Year ending December 31:	OPWC	John Deere Backhoe	Kansas State Bank of Manhattan	Key Government Finance
2008	\$ 5,244	\$ 11,111	\$ 12,408	\$ 12,046
2009	5,244	11,111	12,408	12,046
2010	5,244	7,406	12,408	12,046
2011	5,244	0	12,408	0
2012	5,244	0	0	0
2013-2017	26,220	0	0	0
2018-2022	26,220	0	0	0
2023-2025	10,481	0	0	0
Total	\$ 89,141	\$ 29,628	\$ 49,632	\$ 36,138

8. RISK MANAGEMENT

The Village has obtained the commercial insurance for the following risks:

- Commercial Property and General Liability
- Vehicle and Equipment
- Public Officials Liability
- Umbrella Coverage

There were no significant reductions in coverage from the prior year and claims have not exceeded insurance coverage in any of the past three years.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

9. TRANSFERS

In 2007 and 2006, the Village had a Special Revenue Fund - Income Tax Fund. The fund transferred 75% of net revenue to the General Fund and the remaining 25% to the Street Construction, Maintenance and Repair Fund per Village ordinance. The Income Tax Fund transferred \$397,588 and \$384,410 in 2007 and 2006, respectively.

In 2006, the Special Revenue Flower Funds transferred funds to the Special Revenue Cemetery Operating Fund for flowers for the cemetery. These funds were previously classified as Expendable Trust Funds.

In 2007 and 2006, the General Fund transferred a total of \$51,334 and \$18,000, respectively to the Income Tax Fund to subsidize operations.

In 2007, the Bed Tax Agency Fund transferred \$62,579 to the General Fund.

The transfers of these funds met all requirements of the Ohio Revised Code and grant and trust agreements.

10. INTERFUND ACTIVITY

In 2005, the Cemetery Operating Fund received a \$33,240, 1% loan from the Cemetery Endowment Fund for paving the cemetery. The Cemetery Operating Fund pays back the loan in monthly installments of \$291 through 2015. The outstanding balance as of December 31, 2007 was \$28,998.

The Cemetery Endowment Fund was established in the 19th Century. Due to lack of adequate record keeping, in the previous audit, management was unable to determine if the fund should have been classified as an expendable trust or a nonexpendable trust. The Village reclassified the Cemetery Endowment Fund as a permanent fund after the release of Audit Bulletin 2005-005.

11. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), the Village failed to properly certify funds.

Contrary to Ohio Revised Code Section 5705.36 (4)(A), the Village had their actual receipts come in below estimated receipts causing a deficiency reducing estimated resources below the level of appropriations.

Contrary to Ohio Revised Code Section 5705.36, the Village appropriated the principal for the Non-expendable Trust Fund.

12. CONTINGENT LIABILITIES

Management believes there are no material pending claims or lawsuits.

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2007 and 2006

13. **RESTATEMENT OF FUND BALANCES**

	<u>Special Revenue Funds</u>	<u>Expendable Trust Fund</u>	<u>Non-Expendable Trust Fund</u>	<u>Permanent Fund</u>
Fund Balance at December 31, 2005	\$374,391	\$3,975	\$7,950	\$ 0
Restatement	<u>3,975</u>	<u>(3,975)</u>	<u>(7,950)</u>	<u>7,950</u>
Restated Balance at January 1, 2006	<u>\$378,366</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$7,950</u>

The Village's trust funds were reclassified as Special Revenue Funds and a Permanent Fund in accordance with Audit Bulletin 2005-005.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Fund Balance at December 31, 2005	\$93,392	\$378,366	\$209,661
Restatement	<u>(44,157)</u>	<u>29,431</u>	<u>(1,600)</u>
Restated Balance at January 1, 2006	<u>\$49,235</u>	<u>\$407,797</u>	<u>\$208,001</u>

The Village made the above adjustments to reconcile their bank accounts with their books. The Special Revenue Funds had both reclassifications and reconciling adjustments.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Bellville
Richland County
142 Park Place
Bellville, OH 44865

To the Village Council:

We have audited the financial statements of the Village of Bellville, Richland County, Ohio (Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 23, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2007-VBRC-01 through 2007-VBRC-04, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* as item 2007-VBRC-01 through 2007-VBRC-03.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Village in a separate letter dated May 23, 2008.

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

Charles E. Harris and Associates, Inc.

May 23, 2008

VILLAGE OF BELLVILLE
RICHLAND COUNTY

SCHEDULE OF FINDINGS
December 31, 2007 and 2006

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

Finding Number 2007-VBRC-01 – Non-compliance Citation and Material Weakness

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

VILLAGE OF BELLVILLE
RICHLAND COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2007 and 2006

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>
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Finding Number 2007-VBRC-01 – Non-Compliance Citation and Material Weakness

The Village did not make the proper certification of funds in all instances. Thirty-two of 60 selections tested during the audit period had the certifications after the obligation date. We recommend that the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

Management indicated that they will attempt to certify funds prior to the purchase.

Finding Number 2007-VBRC-02 – Non-compliance Citation and Material Weakness

Ohio Revised Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

In addition, the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Revised Code Section 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

During 2006, the Village included the principal portion of the nonexpendable trust fund in the unencumbered balance on the certificate of estimated resources. Also, the Village appropriated the principal and interest. The Village expended principal as well.

We recommend that the Village only include interest in the certificate of estimated resources and appropriate the earned interest and not the principal. Also, the Village should not spend the principal amount of a Non-expendable Trust Fund.

Management indicated they are in the process of repaying the Non-Expendable Trust fund principal.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS (continued)
December 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2007-VBRC-03 – Non-compliance Citation and Material Weakness

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

2007 Fund	Estimated Receipts	Actual Receipts	Variance
General Fund	\$1,207,184	\$1,153,024	(\$54,160)
Income Tax - Special Revenue Fund	444,300	442,076	(2,224)
2006 Fund			
General Fund	\$1,215,403	\$1,193,276	(\$22,127)
Water - Enterprise Fund	129,100	120,018	(9,082)

The Village will monitor estimated resources in comparison with actual revenue.

Finding Number 2007-VBRC-04 – Material Weakness

The Village had numerous adjustments to their fund balances and line items during the audit period. The Village hired an outside CPA firm to correct their bank reconciliation problems noted in the prior audit report. The following is a list of some of the issues associated with the bank reconciliations:

- Permissive sales tax was posted in their books, but was not received at the bank
- Incorrect interest was posted to their books
- Income tax posted in their book did not match amounts deposited in the bank
- Water and Sewer posted in their books did not match amounts deposited in the bank
- Bank service charges were not posted in their books
- Outstanding warrants from prior years were voided

In addition, the Village receipted \$31,000 in the General Fund for sale of lumber from the park. The funds should have been receipted in the Special Parks Fund.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS (continued)
December 31, 2007 and 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>

Finding Number 2007-VBRC-04 – Material Weakness (continued)

The following line items were adjusted in the audit report:

- **Sale of Bond Anticipation Notes were receipted into Other Financing Sources instead of Sale of Notes**
- **Principal and interest payments were recorded in Other Financing Uses rather than Retirement of Principal and Interest and Fiscal Charges**
- **The Village moved the Nonexpendable Trust Fund to the Capital Projects Fund type rather than the Permanent Fund type in 2006. The problem was corrected in the Village's 2007 books.**

Management will attempt to properly record all their transactions.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 & 2006**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-VBRC-01	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village made expenditures before encumbering the funds.	No	Repeated as 2007-VBRC-01
2005-VBRC-02	Contrary to Ohio Rev. Code Section 5705.36, the Village appropriated principal and interest for the Nonexpendable Trust Fund	No	Repeated as 2007-VBRC-02
2005-VBRC-03	Contrary to Ohio Rev. Code Section 5705.39, appropriations exceed estimated resources.	No	Repeated as management letter comment
2005-VBRC-04	Monthly bank reconciliations not performed.	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

VILLAGE OF BELLVILLE

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 9, 2008**