

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

BRIGETTE BANKS, FISCAL OFFICER



Dave Yost • 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 Julian & Grube, Inc., for the audit period January 1, 2010 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.

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.

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Dave Yost
Auditor of State

June 4, 2012

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**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

Village of Bellville
142 Park Place
Bellville, Ohio 44813

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the Village of Bellville, Richland County, Ohio, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village of Bellville'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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 2.B., the Village of Bellville has prepared the 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village of Bellville's larger (i.e. major) funds separately. While the Village of Bellville does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Bellville has elected not to follow GAAP statement formatting requirements. 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 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Bellville as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, 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 as of December 31, 2011 and 2010 of the Village of Bellville, Richland County, Ohio and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the accounting basis as described in Note 2.B.

Village of Bellville
Independent Accountants' Report
Page Two

As described in Note 2.D., during 2011, the Village of Bellville 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 April 11, 2012, on our consideration of the Village of Bellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
April 11, 2012

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF FUND CASH BALANCES
ALL FUND TYPES
DECEMBER 31, 2011 AND 2010

<u>Cash and Cash Equivalents</u>	2011	2010
Cash and Cash Equivalents	\$ 866,387	\$ 715,894
Cash and Cash Equivalents in Segregated Account	46,114	37,583
Total Cash and Cash Equivalents	\$ 912,501	\$ 753,477
 <u>Fund Cash Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 237,383	\$ 180,761
Special Revenue	218,466	244,908
Debt Service Funds	114	114
Permanent	29,374	25,880
Total Governmental Funds	485,337	451,663
<u>Proprietary Fund Type:</u>		
Enterprise	427,164	301,768
Total Proprietary Funds	427,164	301,768
<u>Fiduciary Fund Type:</u>		
Agency	-	46
Total Fiduciary Funds	-	46
Total Fund Cash Balances	\$ 912,501	\$ 753,477

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
Cash receipts:					
Local taxes	\$ 267,145	\$ 206,611	\$ -	\$ -	\$ 473,756
Municipal income tax	-	410,000	-	-	410,000
Intergovernmental	64,433	143,843	-	-	208,276
Special Assessments	4,320	-	-	-	4,320
Charges for services	1,645	69,452	-	-	71,097
Fines, licenses, and permits	48,882	3,828	-	-	52,710
Interest	464	30	-	15	509
Miscellaneous	13,264	28,292	-	-	41,556
Total cash receipts	<u>400,153</u>	<u>862,056</u>	<u>-</u>	<u>15</u>	<u>1,262,224</u>
Cash disbursements:					
Current:					
Security of persons and property	325,525	69,096	-	-	394,621
Public health services	-	122,990	-	15	123,005
Leisure time activities	56,984	10,057	-	-	67,041
Community environment	5,059	-	-	-	5,059
Transportation	-	391,788	-	-	391,788
General government	212,114	36,926	-	-	249,040
Debt service:					
Principal retirement	1,351	36,795	680,097	-	718,243
Interest and fiscal charges	-	2,868	11,509	-	14,377
Total cash disbursements	<u>601,033</u>	<u>670,520</u>	<u>691,606</u>	<u>15</u>	<u>1,963,174</u>
Total cash receipts over/(under) cash disbursements	<u>(200,880)</u>	<u>191,536</u>	<u>(691,606)</u>	<u>-</u>	<u>(700,950)</u>
Other financing receipts/(disbursements):					
Proceeds from sale of bonds	-	50,000	629,000	-	679,000
Proceeds from sale of assets	-	1,850	-	-	1,850
Operating transfers in	307,505	126,594	62,606	-	496,705
Operating transfers out	(100,283)	(396,422)	-	-	(496,705)
Other sources	-	-	-	3,494	3,494
Total other financing receipts/(disbursements)	<u>207,222</u>	<u>(217,978)</u>	<u>691,606</u>	<u>3,494</u>	<u>684,344</u>
Special Item	<u>50,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,280</u>
Net changes in fund cash balances	56,622	(26,442)	-	3,494	33,674
Fund cash balances, January 1, 2011	<u>180,761</u>	<u>244,908</u>	<u>114</u>	<u>25,880</u>	<u>451,663</u>
Fund cash balances:					
Nonspendable	46	-	-	29,374	29,420
Restricted	16,740	200,277	-	-	217,017
Committed	-	18,189	-	-	18,189
Assigned	-	-	114	-	114
Unassigned	220,597	-	-	-	220,597
Fund cash balances, December 31, 2011	<u>\$ 237,383</u>	<u>\$ 218,466</u>	<u>\$ 114</u>	<u>\$ 29,374</u>	<u>\$ 485,337</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 494,174	\$ -	\$ 494,174
Total operating cash receipts	<u>494,174</u>	<u>-</u>	<u>494,174</u>
Operating cash disbursements:			
Personal services	89,418	-	89,418
Employee fringe benefits	34,220	-	34,220
Contractual services	88,231	-	88,231
Supplies and material	25,649	-	25,649
Total operating cash disbursements	<u>237,518</u>	<u>-</u>	<u>237,518</u>
Operating income	<u>256,656</u>	<u>-</u>	<u>256,656</u>
Nonoperating cash receipts/(disbursements):			
Miscellaneous receipts	81	-	81
Proceeds of bonds	260,000	-	260,000
Proceeds of notes	33,200	-	33,200
Capital outlay	(64,426)	-	(64,426)
Fines collected	-	53,103	53,103
Fines disbursed	-	(53,149)	(53,149)
Debt service:			
Principal retirement	(342,568)	-	(342,568)
Interest and fiscal charges	(17,547)	-	(17,547)
Total nonoperating cash receipts/(disbursements)	<u>(131,260)</u>	<u>(46)</u>	<u>(131,306)</u>
Net income/(loss)	125,396	(46)	125,350
Fund cash balances, January 1, 2011	<u>301,768</u>	<u>46</u>	<u>301,814</u>
Fund cash balances, December 31, 2011	<u>\$ 427,164</u>	<u>\$ -</u>	<u>\$ 427,164</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2011 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2011 Appropriations	Total	Actual 2011 Disbursements	Encumbrances Outstanding at 12/31/11	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 180,761	\$ 731,648	\$ 912,409	\$ 757,938	\$ 26,290	\$ -	\$ 773,636	\$ 773,636	\$ 701,316	\$ -	\$ 701,316	\$ 72,320
Special Revenue	244,908	1,004,805	1,249,713	1,040,500	35,695	-	1,143,987	1,143,987	1,066,942	-	1,066,942	77,045
Debt Service	114	691,522	691,636	691,606	84	-	691,636	691,636	691,606	-	691,606	30
Permanent	-	15	15	3,509	3,494	-	15	15	15	-	15	-
Proprietary:												
Enterprise	301,768	816,000	1,117,768	787,455	(28,545)	-	858,964	858,964	662,059	-	662,059	196,905
Total	\$ 727,551	\$ 3,243,990	\$ 3,971,541	\$ 3,281,008	\$ 37,018	\$ -	\$ 3,468,238	\$ 3,468,238	\$ 3,121,938	\$ -	\$ 3,121,938	\$ 346,300
(Memorandum Only)												

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types					Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash receipts:						
Local taxes	\$ 163,338	\$ 206,741	\$ -	\$ -	\$ -	\$ 370,079
Municipal income tax	-	373,136	-	-	-	373,136
Intergovernmental	159,655	277,695	-	-	-	437,350
Charges for services	1,911	63,201	-	-	-	65,112
Fines, licenses, and permits	59,714	9,895	-	-	-	69,609
Interest	491	68	-	-	20	579
Miscellaneous	34,313	24,983	-	-	-	59,296
Total cash receipts	<u>419,422</u>	<u>955,719</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>1,375,161</u>
Cash disbursements:						
Current:						
Security of persons and property	241,598	91,181	-	-	-	332,779
Public health services	-	77,802	-	-	20	77,822
Leisure time activities	24,338	156,424	-	-	-	180,762
Community environment	1,323	-	-	-	-	1,323
Transportation	-	301,494	-	-	-	301,494
General government	226,619	45,733	-	90	-	272,442
Debt service:						
Principal retirement	-	22,027	720,149	-	-	742,176
Interest and fiscal charges	-	2,208	26,570	-	-	28,778
Total cash disbursements	<u>493,878</u>	<u>696,869</u>	<u>746,719</u>	<u>90</u>	<u>20</u>	<u>1,937,576</u>
Total cash receipts over/(under) cash disbursements	<u>(74,456)</u>	<u>258,850</u>	<u>(746,719)</u>	<u>(90)</u>	<u>-</u>	<u>(562,415)</u>
Other financing receipts/(disbursements):						
Proceeds from sale of notes	-	15,925	674,853	-	-	690,778
Proceeds from sale of assets	-	5,498	-	-	-	5,498
Operating transfers in	274,754	55,882	71,980	-	-	402,616
Operating transfers out	(37,744)	(364,872)	-	-	-	(402,616)
Advances in	855	-	-	-	-	855
Advances out	-	(855)	-	-	-	(855)
Other sources	-	-	-	-	3,494	3,494
Total other financing receipts/(disbursements)	<u>237,865</u>	<u>(288,422)</u>	<u>746,833</u>	<u>-</u>	<u>3,494</u>	<u>699,770</u>
Excess of cash receipts and other financing receipts/ (disbursements) over/(under) cash disbursements and other financing disbursements	163,409	(29,572)	114	(90)	3,494	137,355
Fund cash balances, January 1, 2010	<u>17,352</u>	<u>274,480</u>	<u>-</u>	<u>90</u>	<u>22,386</u>	<u>314,308</u>
Fund cash balances, December 31, 2010	<u>\$ 180,761</u>	<u>\$ 244,908</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 25,880</u>	<u>\$ 451,663</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 480,560	\$ -	\$ 480,560
Total operating cash receipts	<u>480,560</u>	<u>-</u>	<u>480,560</u>
Operating cash disbursements:			
Personal services	84,175	-	84,175
Employee fringe benefits	39,395	-	39,395
Contractual services	136,508	-	136,508
Supplies and material	27,309	-	27,309
Total operating cash disbursements	<u>287,387</u>	<u>-</u>	<u>287,387</u>
Operating income	<u>193,173</u>	<u>-</u>	<u>193,173</u>
Nonoperating cash receipts/(disbursements):			
Miscellaneous receipts	1,416	-	1,416
Proceeds of notes	320,000	-	320,000
Capital outlay	(27,216)	-	(27,216)
Fines collected	-	58,169	58,169
Fines disbursed	-	(58,442)	(58,442)
Other financing uses	(97)	-	(97)
Debt service:			
Principal retirement	(391,946)	-	(391,946)
Interest and fiscal charges	(26,845)	-	(26,845)
Total nonoperating cash receipts/(disbursements)	<u>(124,688)</u>	<u>(273)</u>	<u>(124,961)</u>
Net income/(loss)	68,485	(273)	68,212
Fund cash balances, January 1, 2010	<u>233,283</u>	<u>319</u>	<u>233,602</u>
Fund cash balances, December 31, 2010	<u>\$ 301,768</u>	<u>\$ 46</u>	<u>\$ 301,814</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2010 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2010 Appropriations	Total	Actual 2010 Disbursements	Encumbrances Outstanding at 12/31/10	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 17,252	\$ 668,487	\$ 685,639	\$ 695,031	\$ 26,544	\$ 100	\$ 604,495	\$ 604,595	\$ 531,622	\$ -	\$ 531,622	\$ 72,973
Special Revenue	274,480	1,019,739	1,294,219	1,033,024	13,285	-	1,247,240	1,247,240	1,062,596	-	1,062,596	184,644
Debt Service	-	746,833	746,833	746,833	-	-	746,719	746,719	746,719	-	746,719	-
Capital Projects	90	-	90	-	-	-	90	90	90	-	90	-
Permanent	-	20	20	3,514	3,494	-	20	20	20	-	20	-
Proprietary:												
Enterprise	233,283	749,501	982,784	801,976	52,475	-	778,713	778,713	733,491	-	733,491	45,222
Total												
(Memorandum Only)	\$ 525,105	\$ 3,184,580	\$ 3,709,585	\$ 3,280,378	\$ 95,798	\$ 100	\$ 3,377,277	\$ 3,377,377	\$ 3,074,538	\$ -	\$ 3,074,538	\$ 302,839

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Bellville, Richland County, Ohio (the "Village"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utilities, parks operations (leisure time activities), police protection, mayor's court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

General Fund

The general fund is used to account for all activities of the Village not required to be included 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.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specific purposes.

The Village had the following significant special revenue funds:

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

Street Construction, Maintenance and Repair Fund - (2011) - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following debt service fund:

Note Retirement Fund - This fund receives transfers from other governmental funds and Bond proceeds for the repayment of related principal and interest.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 fund:

Capital Improvements - (2010) - This fund is used to account for governmental capital improvements of the Village.

Permanent Fund

These funds account 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 permanent fund:

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

Enterprise Funds

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

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

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

Agency Fund

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for fines and forfeitures collected by the Mayor's Court to be distributed to the Village and the State of Ohio.

B. BASIS OF ACCOUNTING

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

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

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, with the exception of agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund and personal services level. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate, and the Budget Commission finds the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The Village had several amendments to the original estimated certificates during the years ended December 31, 2011 and 2010.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village adopted appropriation modifications during the years ended December 31, 2011 and 2010.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village had no outstanding encumbrances at December 31, 2011 and 2010.

D. Fund Balance

For December 31, 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which had no effect on fund balances. Under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *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.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

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

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$509 and \$579 for the years ended December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, the Village held \$46,114 and \$37,583, respectively, in segregated accounts related to the Village's Health Reimbursement Account and the Cemetery Endowment permanent fund.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are recorded as expenditures in the fund in the year expended. The costs of normal maintenance and repairs, along with improvements, are also expended. Depreciation is not recorded by the Village.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Advances are temporary loans to other funds which will ultimately be repaid.

I. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

J. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
Deposits:		
Demand Deposits	\$ 883,127	\$ 727,597
Investments:		
STAR Ohio	<u>29,374</u>	<u>25,880</u>
 Total Cash and Investments	 <u>\$ 912,501</u>	 <u>\$ 753,477</u>

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

Investments: Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

NOTE 4 - COMPLIANCE

- A. The Village did not approve appropriations at the required minimum legal level of budgetary control in noncompliance with Ohio Revised Code Section 5705.38(C) for the years ended December 31, 2011 and 2010.
- B. The Village did not timely certify expenditures in noncompliance with Ohio Revised Code Section 5705.41(D) for the years ended December 31, 2011 and 2010.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2011 and December 31, 2010, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/2011</u>	<u>Balance at 12/31/2010</u>
Various Purpose Bonds, Series 2011 to finance the construction of the police and maintenance buildings and waterline additions due in annual installments of \$99,700 through 2020, and a final payment in 2021 of \$189,383, bearing interest of 3.6%.	\$ 889,000	\$ -
Truck Bond, Series 2011 to purchase a vehicle for the street department due in quarterly installments of \$2,760 through 2016 bearing interest of 4.0%.	42,946	-
2011 Ohio Water Development Authority (OWDA) note for the design of improvements to the Waste Water Treatment Plant (WWTP), due in semi-annual installments of \$5,040 bearing no interest.	23,120	-
Various Purpose Bond Anticipation Notes (BAN), Series 2010 in anticipation of issuing bonds to finance the construction of the police and maintenance buildings and waterline additions due in one payment during 2011 bearing interest of 1.71%.	-	994,853
2010 United States Department of Agriculture (USDA) Bond to purchase a police cruiser due in annual installments of varying amounts through 2015 bearing interest of 4.125%. The Village paid bond in full during the year ended December 31, 2011.	-	15,925
2008 OWDA note for improvements to the WWTP due in semi-annual installments of \$12,290 through 2026 bearing interest of 4.49%.	259,877	272,366
2008 Kansas State Bank of Manhattan note for the purchase of a backhoe for the street department due in annual installments of \$12,408 through 2011 bearing interest of 4.99%.	-	11,817
2005 Ohio Public Works Commission (OPWC) note for the replacement of the Durbin Street Culvert due in semi-annual installments of \$2,622 through 2024 bearing no interest.	65,543	70,787
2005 Cemetery Endowment Permanent Fund note for the paving of the Village cemetery due in monthly installments of \$291 through 2015 bearing interest of 1%.	<u>12,577</u>	<u>15,926</u>
Total	<u>\$ 1,293,063</u>	<u>\$ 1,381,674</u>

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2011 and December 31, 2010 are summarized as follows:

<u>2011</u>	Balance at <u>12/31/2010</u>	<u>Proceeds</u>	<u>Retirements</u>	Balance at <u>12/31/2011</u>
Various Bonds - First Knox National - 2011	\$ -	\$ 889,000	\$ -	\$ 889,000
Truck Bond - First Knox National - 2011	-	50,000	(7,054)	42,946
Sewer Note - OWDA - 2011	-	33,200	(10,080)	23,120
Various BAN - US Bank - 2010	994,853	-	(994,853)	-
Police Cruiser Bond - USDA - 2010	15,925	-	(15,925)	-
Sewer Note - OWDA - 2008	272,366	-	(12,489)	259,877
Street Backhoe -				
Kansas State Bank of Manhattan - 2008	11,817	-	(11,817)	-
Durbin Street Culvert - OPWC - 2005	70,787	-	(5,244)	65,543
Cemetery Pavement - Cemetery Endowment - 2005	<u>15,926</u>	<u>-</u>	<u>(3,349)</u>	<u>12,577</u>
 Total	 <u>\$ 1,381,674</u>	 <u>\$ 972,200</u>	 <u>\$ (1,060,811)</u>	 <u>\$ 1,293,063</u>
 <u>2010</u>	 (Restated) Balance at <u>12/31/2009</u>	 <u>Proceeds</u>	 <u>Retirements</u>	 Balance at <u>12/31/2010</u>
Various BAN - US Bank - 2010	\$ -	\$ 994,853	\$ -	\$ 994,853
Police Cruiser Bond - USDA - 2010	-	15,925	-	15,925
Various BAN - US Bank - 2009	1,094,905	-	(1,094,905)	-
Sewer Note - OWDA - 2008	284,312	-	(11,946)	272,366
Street Backhoe -				
Kansas State Bank of Manhattan - 2008	23,072	-	(11,255)	11,817
Cemetery Backhoe - John Deere - 2007	7,407	-	(7,407)	-
Durbin Street Culvert - OPWC - 2005	76,031	-	(5,244)	70,787
Cemetery Pavement - Cemetery Endowment - 2005	<u>19,291</u>	<u>-</u>	<u>(3,365)</u>	<u>15,926</u>
 Total	 <u>\$ 1,505,018</u>	 <u>\$ 1,010,778</u>	 <u>\$ (1,134,122)</u>	 <u>\$ 1,381,674</u>

The Durbin Street Culvert - OPWC - 2005 is being restated to properly report its ending balance at December 31, 2009.

The Various BAN, Series 2010 and 2009 are paid out of the Note Retirement debt service fund and the Water Operating enterprise fund. The Police Cruiser Bond is paid from the General fund, Law Enforcement Trust special revenue fund, and the Police Levy special revenue fund. The Street Backhoe note and Truck Bond are paid from the Street Construction, Maintenance and Repair special revenue fund and the Cemetery Backhoe and Cemetery Endowment Permanent fund notes are paid from the Cemetery special revenue fund. The repayment (principal and interest) from the Cemetery fund is recorded as other services on the combined statement of cash receipts, cash disbursements and changes in fund cash balances - all governmental fund types for the years ended December 31, 2011 and 2010.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2011, are as follows:

Year Ending December 31,	2011		2011		2008	
	<u>Bonds - First Knox National</u> <u>Principal</u>	<u>Interest</u>	<u>Truck Bond, First Knox National</u> <u>Principal</u>	<u>Interest</u>	<u>Note - OWDA</u> <u>Principal</u>	<u>Interest</u>
2012	\$ 68,836	\$ 30,864	\$ 7,060	\$ 1,220	\$ 6,455	\$ 5,831
2013	70,174	29,526	9,749	1,291	13,348	11,232
2014	72,700	27,000	10,144	896	13,955	10,625
2015	75,318	24,382	10,556	484	14,588	9,992
2016	77,970	21,730	5,437	83	15,251	9,329
2017 - 2021	524,002	64,181	-	-	87,291	35,609
2022 - 2026	-	-	-	-	108,989	13,911
Totals	<u>\$ 889,000</u>	<u>\$ 197,683</u>	<u>\$ 42,946</u>	<u>\$ 3,974</u>	<u>\$ 259,877</u>	<u>\$ 96,529</u>

Year Ending December 31,	2005		2005		Totals	
	<u>Note - OPWC</u> <u>Principal</u>	<u>Note - Cemetery Endowment</u> <u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 2,622	\$ 3,384	\$ 108	\$ 88,357	\$ 38,023	
2013	5,244	3,419	73	101,934	42,122	
2014	5,244	3,453	39	105,496	38,560	
2015	5,244	2,321	7	108,027	34,865	
2016	5,244	-	-	103,902	31,142	
2017 - 2021	26,220	-	-	637,513	99,790	
2022 - 2026	15,725	-	-	124,714	13,911	
Totals	<u>\$ 65,543</u>	<u>\$ 12,577</u>	<u>\$ 227</u>	<u>\$ 1,269,943</u>	<u>\$ 298,413</u>	

On June 16, 2011, OWDA disbursements originated on the Sewer Note for the WWTP Improvements Design loan. The loan is not yet finalized, thus, no amortization exists; however, the Village is required to make semi-annual principal payments in 2012 in the amount of \$5,040.

NOTE 7 - LOCAL INCOME TAXES

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.

Income tax receipts are receipted in the Income Tax special revenue fund. For the years ended December 31, 2011 and 2010, the Village transferred 75% to the General fund and 14% to the Street Construction, Maintenance and Repair special revenue fund, per Village ordinance, leaving 11% to fund normal operations of the income tax department.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 8 - RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For both 2011 and 2010, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. For both 2011 and 2010, OP&F members contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of law enforcement officer's gross salaries. The Village has paid all contributions required under both plans through December 31, 2011 and 2010.

NOTE 9 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public official's liability
- Property (fleet and fire)

The Village also provides health, life, disability, and prescription insurance to full-time employees through a private carrier. The Village has obtained commercial insurance for the following: Property, Liability, Automobile Liability, Employee Dishonesty, Theft, all with various deductibles.

NOTE 10 - INTERFUND ACTIVITY

The Village had the following transfers for the year ended December 31, 2011:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 307,505	\$ 100,283
<u>Special Revenue Funds:</u>		
Street Construction, Maintenance and Repair	126,594	26,273
Income Tax	-	364,905
Street Levy	-	5,244
Total Special Revenue Funds	<u>126,594</u>	<u>396,422</u>
<u>Debt Service Fund:</u>		
Note Retirement	<u>62,606</u>	-
Total	<u>\$ 496,705</u>	<u>\$ 496,705</u>

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 10 - INTERFUND ACTIVITY - (Continued)

The Village had the following transfers for the year ended December 31, 2010:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 274,754	\$ 37,744
 <u>Special Revenue Funds:</u>		
Street Construction, Maintenance and Repair	52,238	32,636
Income Tax	-	326,992
Street Levy	-	5,244
Computer	<u>3,644</u>	<u>-</u>
Total Special Revenue Funds	<u>55,882</u>	<u>364,872</u>
 <u>Debt Service Fund:</u>		
Note Retirement	<u>71,980</u>	<u>-</u>
Total	<u>\$ 402,616</u>	<u>\$ 402,616</u>

The transfers, in both 2011 and 2010, from the Street Construction, Maintenance and Repair and Street Levy funds to the Note Retirement fund were to pay for street related debt. The transfers, in both 2011 and 2010, from the Income Tax fund to the Street Construction, Maintenance and Repair and the General funds were in accordance with Village ordinance.

The above transfers were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

In 2010, the Income Tax special revenue fund returned an advance of \$855 to the General Fund.

NOTE 11 - EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village Council and that are either unusual in nature or infrequent in occurrence. During 2011, the Village entered into a contract for the sale of timber at the Village's Palm Park totaling \$50,280. This amount is reflected as a special item on the financial statements.

NOTE 12 - CONTINGENT LIABILITY

LITIGATION

The Village is involved in no material litigations as either plaintiff or defendant.



Julian & Grube, Inc.

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

Village of Bellville
142 Park Place
Bellville, Ohio 44813

To the Members of Council and Mayor:

We have audited the financial statements of the Village of Bellville, Richland County, Ohio, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 30, 2012, wherein we noted the Village of Bellville prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As described in Note 2.D., the Village of Bellville adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 of Bellville's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Bellville's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Bellville'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Bellville's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-VOB-001 described in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-VOB-002 described in the accompanying schedule of findings and responses to be a significant deficiency.

Members of Council and Mayor
Village of Bellville

Compliance and Other Matters

As part of reasonably assuring whether the Village of Bellville'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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2011-VOB-003 and 2011-VOB-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Bellville's management in a separate letter dated April 11, 2012.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
April 11, 2012

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-VOB-001

Material Weakness - Financial Statement Presentation

The Village had receipts and disbursements that were posted incorrectly according to the Village Handbook and the Ohio Revised Code. Numerous immaterial and material adjustments were made to the financial statements, for the years ended December 31, 2011 and 2010, to properly state receipts and disbursements and fund balances for each year then ended.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, an accounting/consulting firm, the Village Handbook and the Ohio Municipal League and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

Client Response: The Fiscal Officer continues to work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2011-VOB-002
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Significant Deficiency - Income Tax Department

The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. Internal controls should be designed to safeguard assets and help detect losses. This often includes segregation of duties and oversight over processing delinquencies.

The Village lacks internal control over financial reporting for the Income Tax department due to lack of proper segregation of duties related to processing income tax receipts received by the Village. The Village Income Tax Administrator handles all transactions from opening the mail, to posting in the income tax system, to depositing the money with the financial institution. Once deposited, the information is presented to the Village Fiscal Officer for recording into the Village's Uniform Accounting Network software (UAN). In addition, there is a lack of oversight when annual reports are generated to identify delinquent tax payers and those whom have not filed.

Without proper segregation of duties, income tax receipts are more susceptible to loss/theft. Lack of oversight over processing delinquent accounts leaves it possible for certain taxpayers to not be notified of such delinquency, leaving the possibility of cash collections, while unusual, to be unaccounted for.

To achieve internal control, we recommend certain duties involving receipts should be handled by more than one member of the Village's personnel and oversight over delinquency reports be implemented. The following procedures should be enacted to ensure efficient internal control:

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2011-VOB-002 - (Continued)

- One employee, preferably the receptionist, should open the mail, make a control list of all receipts, and restrictively endorse all items received as “for deposit only.” This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee (Income Tax Administrator) for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts (Fiscal Officer) should compare the deposit slips to the list of receipts prior to posting to the UAN to ensure that all funds reflected on the receipts were deposited.
- Once delinquent report is generated, an additional employee should review such report and verify the necessary individuals are contacted and notified of such delinquency or late filing to ensure completeness of previous income tax revenue received.

Client Response: The Village Fiscal Officer is in the process of implementing some changes on the way the mail is taken in every morning. Also, at the end of every month, the Income Tax Administrator and Fiscal Officer run separate reports out of their systems and compare the amount of money taken in to make sure it balances and they are signed off on.

Finding Number	2011-VOB-003
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Ohio Revised Code Section 5705.38(C) requires that appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within, each, the amount appropriated for personal services, which is the minimum legal level of budgetary control as approved by those charged with governance.

The Village approved appropriations for the years ending December 31, 2011 and 2010 at the fund level and within each fund, amounts for personal services, which does not meet the required minimum legal level of budgetary control.

By not appropriating at the required legal level of budgetary control, the Village is not complying with rules and regulations of the Ohio Revised Code and lacks the required oversight of those charged with governance over the fiscal operations of the Village.

We recommend the Village modify the current legal level of budgetary control to the appropriate level. We further recommend the Fiscal Officer and Village Council refer to the Ohio Revised Code for appropriation requirements.

Client Response: The Village Fiscal Officer will present, for the approval in minutes, the permanent and supplemental appropriations at the required legal level of budgetary control in the future. The Council Members had available to them the detailed budget in the past, however approved a summary of those appropriations by ordinance.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2011-VOB-004

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

For the years ended December 31, 2011 and 2010, 36% and 42% of expenditures tested, respectively, were not certified in a timely manner.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or then funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money to be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using the “Then” and “Now” certificates where applicable.

Client Response: The Village Fiscal Officer is aware of the requirements and will attempt to monitor purchase orders more closely.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2009-VBRC-01	Ohio Revised 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.	No	Repeated as finding 2011-VOB-004
2009-VBRC-02	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.	Yes	N/A
2009-VBRC-03	<u>Material Weakness</u> - The Utility Department lacked internal controls with regards to the segregation of duties and supervisory approval on credit adjustments.	Yes	N/A
2009-VBRC-04	<u>Material Weakness and Noncompliance</u> - The Village advanced monies improperly from the Sewer fund to the General fund. Once this was reversed, it also caused noncompliance in the General fund due to a negative fund balance at December 31, 2008.	Yes	N/A



Dave Yost • 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
JUNE 19, 2012