



**Auditor of State
Betty Montgomery**

VILLAGE OF BELLE CENTER
LOGAN COUNTY

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**Auditor of State
Betty Montgomery**

Village of Belle Center
Logan County
104 West Buckeye Street
P.O. Box 508
Belle Center, Ohio 43310-0508

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

September 27, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Belle Center
Logan County
104 West Buckeye Street
P.O. Box 508
Belle Center, Ohio 43310-0508

To the Village Council:

We have audited the accompanying financial statements of the Village of Belle Center, Logan County, (the Village), as of and for the years ended December 31, 2004 and 2003. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements.

The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds 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 reserves for encumbrances of the Village, as of December 31, 2004 and 2003, 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 year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 27, 2005

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$21,861	\$5,457	\$27,318
Municipal Income Taxes	108,134		108,134
Intergovernmental Receipts	15,827	33,556	49,383
Charges for Services	1,951		1,951
Fines, Licenses, and Permits	5,364		5,364
Earnings on Investments	4,008	502	4,510
Miscellaneous	4,317		4,317
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	161,462	39,515	200,977
Cash Disbursements:			
Current:			
Security of Persons and Property	33,357		33,357
Leisure Time Activities	5,780		5,780
Community Environment	305		305
Basic Utility Services	32,522		32,522
Transportation	8,416	34,014	42,430
General Government	135,053		135,053
Capital Outlay	21,438		21,438
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	236,871	34,014	270,885
Total Receipts Over/(Under) Disbursements	(75,409)	5,501	(69,908)
Other Financing (Disbursements):			
Transfers-Out	(20,000)		(20,000)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(95,409)	5,501	(89,908)
Fund Cash Balances, January 1	278,609	53,593	332,202
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Fund Cash Balances, December 31	<u>\$183,200</u>	<u>\$59,094</u>	<u>\$242,294</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$2,425</u>	<u>\$17</u>	<u>\$2,442</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

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

Operating Cash Receipts:	
Charges for Services	\$280,000
Operating Cash Disbursements:	
Personal Services	42,500
Fringe Benefits	1,268
Contractual Services	43,723
Supplies and Materials	25,435
Other	73,297
Total Operating Cash Disbursements	186,223
Operating Income	93,777
Non-Operating Cash Receipts:	
Earnings on Investments	800
Special Assessments	81,409
Total Non-Operating Cash Receipts	82,209
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	43,424
Interest and Other Fiscal Charges	38,098
Total Non-Operating Cash Disbursements	81,522
Receipts Over Disbursements Before Interfund Transfers	94,464
Transfers-In	20,000
Net Receipts Over Disbursements	114,464
Fund Cash Balances, January 1	328,206
Fund Cash Balances, December 31	\$442,670
Reserve for Encumbrances, December 31	\$703

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$21,725	\$3,183	\$24,908
Municipal Income Taxes	107,881		107,881
Intergovernmental Receipts	13,255	27,439	40,694
Charges for Services	3,900		3,900
Fines, Licenses, and Permits	9,258		9,258
Earnings on Investments	3,473	553	4,026
Miscellaneous	2,528		2,528
	<u>162,020</u>	<u>31,175</u>	<u>193,195</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	10,859		10,859
Leisure Time Activities	3,991		3,991
Community Environment	8,737		8,737
Basic Utility Services	391		391
Transportation	10,586	43,160	53,746
General Government	114,078		114,078
Capital Outlay		2,945	2,945
	<u>148,642</u>	<u>46,105</u>	<u>194,747</u>
Total Receipts Over/(Under) Disbursements	13,378	(14,930)	(1,552)
Fund Cash Balances, January 1	<u>265,231</u>	<u>68,523</u>	<u>333,754</u>
Fund Cash Balances, December 31	<u><u>\$278,609</u></u>	<u><u>\$53,593</u></u>	<u><u>\$332,202</u></u>
Reserves for Encumbrances, December 31	<u><u>\$8,580</u></u>	<u><u>\$910</u></u>	<u><u>\$9,490</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Operating Cash Receipts:	
Charges for Services	<u>\$385,170</u>
Operating Cash Disbursements:	
Personal Services	48,310
Fringe Benefits	978
Contractual Services	58,426
Supplies and Materials	25,739
Other	<u>67,714</u>
Total Operating Cash Disbursements	<u>201,167</u>
Operating Income	<u>184,003</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	42,794
Interest and Other Fiscal Charges	<u>194,235</u>
Total Non-Operating Cash Disbursements	<u>237,029</u>
Net Receipts(Under) Disbursements	(53,026)
Fund Cash Balances, January 1	<u>381,232</u>
Fund Cash Balances, December 31	<u><u>\$328,206</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,656</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Belle Center, Logan County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides road maintenance, water and sewer utilities, and garbage services. Fire protection is provided by Richland Township. The Village is a member of BMRT Regional Ambulance District which provides emergency medical services to the Village. The Logan County Sheriff's department provides security of persons and property. The Village is associated with two jointly governed organizations described in Note 8.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village maintains all money in a checking account and a savings account.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Ohio Water Development Authority (OWDA) – This fund is a portion of the Sewer charges from each customer set aside to pay the debt payment.

Sewer Construction Fund - This fund received a grant from the United States Army Corps of Engineers and loan from OWDA and Ohio Public Works Commission (OPWC) to complete installation of a sewer system as part of the Indian Lake Sewer District which is operated by Logan County.

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 level of control, and appropriations may not exceed estimated resources. Village 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

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, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$181,459	\$660,408
Super Savings Account	503,505	
Total deposits	\$684,964	\$660,408

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,500	\$161,462	\$8,962
Special Revenue	31,650	39,515	7,865
Enterprise	338,575	382,209	43,634
Total	\$522,725	\$583,186	\$60,461

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$370,700	\$259,296	\$111,404
Special Revenue	48,074	34,031	14,043
Enterprise	367,299	268,448	98,851
Total	\$786,073	\$561,775	\$224,298

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,000	\$162,020	\$27,020
Special Revenue	29,450	31,175	1,725
Enterprise	711,715	385,170	(326,545)
Total	\$876,165	\$578,365	(\$297,800)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$396,531	\$157,222	\$239,309
Special Revenue	98,017	47,015	51,002
Enterprise	851,319	440,852	410,467
Total	\$1,345,867	\$645,089	\$700,778

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,800,679	4.16%
Ohio Public Works Commission	212,500	0.00%
Total	<u>\$2,013,179</u>	

The Ohio Water Development Authority (OWDA) loan was to help pay the costs associated with an Ohio Environmental Protection Agency mandated project. The OWDA approved up to \$1,978,994 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$138,053, including interest, over 20 years. The scheduled payment amount below assumes that \$1,978,994 will be borrowed. The proceeds of this loan included \$132,086 to retire an outstanding OWDA loan. In addition, the cash proceeds do not include the capitalized interest which accumulated during the time of the project until the loan close date in September 2003.

The Ohio Public Works Commission (OPWC) loan was to help pay the costs associated with an Ohio Environmental Protection Agency mandated project. The OPWC approved a \$250,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$12,500, over 20 years.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>
2005	\$138,043	\$12,500
2006	138,043	12,500
2007	138,043	12,500
2008	138,043	12,500
2009	138,043	12,500
2010-2014	690,216	62,500
2015-2019	690,216	62,500
2020-2024	552,173	25,000
Total	<u>\$2,622,820</u>	<u>\$212,500</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. JOINTLY GOVERNED ORGANIZATIONS:

The Logan Union Champaign (LUC) Regional Planning Commission, Logan County, operated under the direction of a 21 member executive committee comprised of representatives of Logan, Union, and Champaign Counties, the cooperating municipalities and citizen members are appointed by the Board of County Commissioners of said counties. The Logan County Auditor acts as the fiscal agent for the commission.

The B.R.M.T. Regional Ambulance District, Logan County, is directed by an appointed four member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Creek Townships and the Village of Belle Center. The District was established to provide rescue services and responds with mutual aid service to any agency requesting such services.

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Belle Center
Logan County
104 West Buckeye Street
P.O. Box 508
Belle Center, Ohio 43310-0508

To the Village Council:

We have audited the financial statements of the Village of Belle Center, Logan County, (the "Village"), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 27, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated September 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of Belle Center
Logan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 27, 2005

VILLAGE OF BELLE CENTER
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the 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 the 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" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the 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 (\$1,000, prior to, April 7, 2003) 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 District.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current 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 certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional 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 one line item appropriation.

During 2004 and 2003, the Village did not properly certify the availability of funds prior to purchase commitment for approximately 20 percent of the expenditures and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**FINDING NUMBER 2004-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village fiscal officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF BELLE CENTER
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Village Ord. 2000-15 (clarified by Village Ord. 2003-05) - Capital cost recovery charges were recorded in the fund.	Yes	
2002-002	Water Pollution Control Loan Agreement Exhibit 2, Dated November 28, 2002 – Tap-in fees required to be used to pay debt were recorded in the wrong fund.	Yes	
2002-003	Funds related to Enterprise Fund activity were classified as Governmental Funds.	Yes	
2004-004	Village Council should review and approve financial reports	Yes	



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VILLAGE OF BELLE CENTER

LOGAN 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
NOVEMBER 29, 2005**