

***VILLAGE OF BELLVILLE  
RICHLAND COUNTY***

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Accountants' Report* of the Village of Bellville, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 14, 2006

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**VILLAGE OF BELLVILLE**  
**RICHLAND COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2005 and 2004**

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## **INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying financial statements of the Village of Bellville (Village), Richland County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 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, 2005 and 2004, or its changes in financial position 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 of the Village of Bellville, Richland County as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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 October 2, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
October 2, 2006

VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
 For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary	(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	
<b>RECEIPTS:</b>					
Property and Local Taxes	\$ 185,330	\$ 559,517	-	-	\$ 744,847
Intergovernmental	52,464	117,464	-	-	169,928
Charges for Services	-	55,077	-	-	55,077
Fines, Licenses and Permits	49,118	-	-	-	49,118
Earnings on Investments	15,468	748	-	\$ 6	16,222
Miscellaneous	49,893	56,368	-	-	106,261
<b>Total Cash Receipts</b>	<b>352,273</b>	<b>789,174</b>	<b>-</b>	<b>6</b>	<b>1,141,453</b>
<b>DISBURSEMENTS:</b>					
Security of Persons and Property	277,008	63,936	-	-	340,944
Public Health Services	-	78,422	-	-	78,422
Leisure Time Activities	-	24,607	-	-	24,607
Transportation	-	225,363	-	-	225,363
General Government	314,885	42,566	-	158	357,609
Capital Outlay	-	29,146	\$ 104,872	-	134,018
<b>Debt Service:</b>					
Retirement of Principal	600,000	22,802	410,244	-	1,033,046
Interest and Fiscal Charges	-	14,360	-	-	14,360
<b>Total Cash Disbursements</b>	<b>1,191,893</b>	<b>501,202</b>	<b>515,116</b>	<b>158</b>	<b>2,208,369</b>
Cash Receipts Over/(Under) Cash Disbursements	(839,620)	287,972	(515,116)	(152)	(1,066,916)
<b>Other Financing Sources (Uses):</b>					
Other Financing Sources	-	5	-	-	5
Sale of Notes	600,000	-	405,000	-	1,005,000
Proceeds of OPWC Loan	-	-	104,872	-	104,872
Advances In	7,370	7,370	-	-	14,740
Advances Out	(7,370)	(7,370)	-	-	(14,740)
Transfers In	274,680	128,524	14,000	-	417,204
Transfers Out	(53,000)	(363,674)	-	(530)	(417,204)
<b>Total Other Financing Sources (Uses)</b>	<b>821,680</b>	<b>(235,145)</b>	<b>523,872</b>	<b>(530)</b>	<b>1,109,872</b>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(17,940)	52,827	8,756	(682)	42,961
Fund Cash Balance, January 1, 2005	111,332	321,564	6,571	4,657	444,124
Fund Cash Balance, December 31, 2005	\$ 93,392	\$ 374,391	\$ 15,327	\$ 3,975	\$ 487,085

See Accompanying Notes to the Financial Statements



VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH  
 ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
 For the Year Ended December 31, 2005

	Proprietary Fund Types	Fiduciary Fund Types		(Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	Total
<b>OPERATING CASH RECEIPTS:</b>				
Charges for Services	\$ 330,423	-	-	330,423
<b>Total Operating Cash Receipts</b>	<b>330,423</b>	<b>-</b>	<b>-</b>	<b>330,423</b>
<b>OPERATING CASH DISBURSEMENTS</b>				
Personal Services	92,702	-	-	92,702
Employee Fringe Benefits	48,702	-	-	48,702
Contractual Services	43,117	-	-	43,117
Materials and Supplies	43,264	-	-	43,264
Capital Outlay	41,513	\$ 33,240	-	74,753
<b>Total Operating Cash Disbursements</b>	<b>269,298</b>	<b>33,240</b>	<b>-</b>	<b>302,538</b>
Operating Income (Loss)	61,125	(33,240)	-	27,885
<b>NON OPERATING CASH RECEIPTS (DISBURSEMENTS)</b>				
Bed Tax	-	-	\$ 85,088	85,088
Fines, Licenses and Permits	-	-	52,891	52,891
Intergovernmental Receipts	4,820	-	-	4,820
Interest Income	-	109	-	109
Distribution of Bed Tax	-	-	(85,088)	(85,088)
Distribution of Fines, Licenses and Permits	-	-	(52,891)	(52,891)
Miscellaneous Receipts	54	1,057	-	1,111
Debt Service:				
Retirement of Principal	(60,000)	-	-	(60,000)
Interest and Fiscal Charges	(16,454)	-	-	(16,454)
<b>Total Non Operating Cash Receipts (Disbursements)</b>	<b>(71,580)</b>	<b>1,166</b>	<b>-</b>	<b>(70,414)</b>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(10,455)	(32,074)	-	(42,529)
Fund Cash Balance, January 1, 2005	220,116	40,024	-	260,140
Fund Cash Balance, December 31, 2005	\$ 209,661	\$ 7,950	\$ -	\$ 217,611

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
 For the Year Ended December 31, 2004

	Governmental Fund Types			Fiduciary	(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	
<b>RECEIPTS:</b>					
Property and Local Taxes	\$ 192,931	\$ 533,323	-	-	\$ 726,254
Intergovernmental	51,339	89,817	-	-	141,156
Charges for Services	-	44,330	-	-	44,330
Fines, Licenses and Permits	54,522	-	-	-	54,522
Earnings on Investments	4,230	479	-	1	4,710
Miscellaneous	19,696	72,061	-	1,105	92,862
<b>Total Cash Receipts</b>	<b>322,718</b>	<b>740,010</b>	<b>-</b>	<b>1,106</b>	<b>1,063,834</b>
<b>DISBURSEMENTS:</b>					
Security of Persons and Property	239,284	61,568	-	-	78,694
Public Health Services	-	78,694	-	-	78,694
Leisure Time Activities	-	26,847	-	-	26,847
Transportation	-	277,377	-	-	277,377
General Government	362,381	13,108	-	\$ 4,480	379,969
Capital Outlay	1,000	75,381	\$ 421,441	-	497,822
<b>Debt Service:</b>					
Retirement of Principal	660,000	21,609	405,000	-	1,086,609
Interest and Fiscal Charges	-	8,891	-	-	8,891
<b>Total Cash Disbursements</b>	<b>1,262,665</b>	<b>563,475</b>	<b>826,441</b>	<b>4,480</b>	<b>2,657,061</b>
Cash Receipts Over/(Under) Cash Disbursements	(939,947)	176,535	(826,441)	(3,374)	(1,593,227)
<b>Other Financing Sources (Uses):</b>					
Sale of Notes	660,000	-	405,000	-	1,065,000
Sale of Fixed Assets	205	9,223	-	-	9,428
Other Financing Sources	-	69,907	-	-	69,907
Other Financing Uses	-	(8,659)	-	-	(8,659)
Transfers In	260,723	163,406	23,000	61	447,190
Transfers Out	(132,000)	(344,644)	-	(546)	(477,190)
<b>Total Other Financing Sources (Uses)</b>	<b>788,928</b>	<b>(110,767)</b>	<b>428,000</b>	<b>(485)</b>	<b>(30,000)</b>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(151,019)	65,768	(398,441)	(3,859)	(487,551)
Fund Cash Balance, January 1, 2004	262,351	255,796	405,012	8,516	931,675
Fund Cash Balance, December 31, 2004	\$ 111,332	\$ 321,564	\$ 6,571	\$ 4,657	\$ 444,124

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
 ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
 For the Year Ended December 31, 2004

	Proprietary Fund Types	Fiduciary Fund Types		(Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	Total
<b>OPERATING CASH RECEIPTS:</b>				
Charges for Services	\$ 341,133	-	-	\$ 341,133
<b>Total Operating Cash Receipts</b>	<b>341,133</b>	<b>-</b>	<b>-</b>	<b>341,133</b>
<b>OPERATING CASH DISBURSEMENTS</b>				
Personal Services	87,295	-	-	87,295
Employee Fringe Benefits	42,145	-	-	42,145
Contractual Services	47,174	-	-	47,174
Materials and Supplies	40,328	-	-	40,328
Capital Outlay	45,708	-	-	45,708
<b>Total Operating Cash Disbursements</b>	<b>262,650</b>	<b>-</b>	<b>-</b>	<b>262,650</b>
Operating Income (Loss)	78,483	-	-	78,483
<b>NON OPERATING CASH RECEIPTS (DISBURSEMENTS)</b>				
Sale of Fixed Assets	2,110	-	-	2,110
Bed Tax	-	-	\$ 83,905	83,905
Fines, Licenses and Permits	-	-	52,891	52,891
Interest Income	394	-	-	394
Distribution of Bed Tax	-	-	(83,905)	(83,905)
Distribution of Fines, Licenses and Permits	-	-	(52,891)	(52,891)
Miscellaneous Receipts	7,406	-	-	7,406
Other Financing Uses	(1,855)	-	-	(1,855)
Debt Service:				
Retirement of Principal	(60,000)	-	-	(60,000)
Interest and Fiscal Charges	(14,320)	-	-	(14,320)
<b>Total Non Operating Cash Receipts (Disbursements)</b>	<b>(66,265)</b>	<b>-</b>	<b>-</b>	<b>(66,265)</b>
Transfers-In	30,000	-	-	30,000
Excess of Cash Receipts Over/(Under) Cash Disbursements	12,218	-	-	12,218
Fund Cash Balance, January 1, 2004	177,898	\$ 40,024	-	217,922
Fund Cash Balance, December 31, 2004	\$ 220,116	\$ 40,024	\$ -	\$ 260,140

See Accompanying Notes to the Financial Statements

**VILLAGE OF BELLVILLE**  
**RICHLAND COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

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

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

**B. BASIS OF ACCOUNTING**

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

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

**C. INVESTMENTS AND INACTIVE FUNDS**

The Village maintains cash in an interest-bearing checking account. Also, the Village has an account with STAR Ohio. In 2004, the Village had a certificate of deposit, which is valued at cost.

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

**D. FUND ACCOUNTING**

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

VILLAGE OF BELLVILLE  
RICHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

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

1. **General Fund**

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

2. **Special Revenue Funds**

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

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

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

3. **Capital Projects Funds**

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

*Capital Improvement Fund* – This fund is used for purchasing capital equipment for the Street Department and general government.

4. **Enterprise Funds**

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

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

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

VILLAGE OF BELLVILLE  
RICHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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

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

5. **Fiduciary Funds**

Trust Funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Cemetery Endowment Fund*- This nonexpendable trust fund is set up to provide general maintenance to the Village cemetery.

*Bandstand Fund* – This expendable trust fund is set up to provide general maintenance of the Village bandstand.

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

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ 693,839	\$ 640,784
Certificates of Deposit	\$0	\$ 20,000
STAR-Ohio	\$10,857	\$ 43,480
Total	<u>\$ 704,696</u>	<u>\$ 704,264</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 is as follows:

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 1,168,668	\$ 1,234,323	\$ 65,655
Special Revenue	955,040	925,073	(29,967)
Capital Projects	419,000	523,872	104,872
Enterprise	286,538	335,297	48,759
Nonexpendable Trust	1,336	1,166	(170)
Expendable Trust	514	6	(508)
Total	<u>\$ 2,831,096</u>	<u>\$ 3,019,737</u>	<u>\$ 188,641</u>

VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2005 and 2004

3. **BUDGETARY ACTIVITY - (continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,260,000	\$ 1,252,263	\$ 7,737
Special Revenue	959,793	872,246	87,547
Capital Projects	411,000	515,116	(104,116)
Enterprise	365,000	345,752	19,248
Nonexpendable Trust	33,240	33,240	0
Expendable Trust	2,000	688	1,312
<b>Total</b>	<b>\$ 3,031,033</b>	<b>\$ 3,019,305</b>	<b>\$ 11,728</b>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,242,650	\$ 1,243,646	\$ 996
Special Revenue	799,550	982,546	182,996
Capital Projects	173,000	428,000	255,000
Enterprise	355,000	351,043	(3,957)
Nonexpendable Trust	170	0	(170)
Expendable Trust	0	1,167	1,167
<b>Total</b>	<b>\$ 2,570,370</b>	<b>\$ 3,006,402</b>	<b>\$ 436,032</b>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,425,047	\$ 1,394,655	\$ 30,392
Special Revenue	993,551	916,778	76,773
Capital Projects	826,500	826,441	59
Enterprise	390,000	338,825	51,175
Nonexpendable Trust	0	0	0
Expendable Trust	4,650	5,026	(376)
<b>Total</b>	<b>\$ 3,639,748</b>	<b>\$ 3,481,725</b>	<b>\$ 158,023</b>



**VILLAGE OF BELLVILLE  
RICHLAND COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**4. PROPERTY TAXES**

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

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

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

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

**5. RETIREMENT SYSTEMS**

The Village's law enforcement officers and other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS are a cost sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2005.

**6. LOCAL INCOME TAX**

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

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

Income taxes collected are deposited into the Special Revenue-Income Tax Fund. Seventy-five percent is transferred to the General Fund, while twenty-five percent is transferred to the Special Revenue-Street Construction and Maintenance and Repair Fund per Village ordinance.

**VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2005 and 2004**

**7. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes-Water System	\$ 600,000	3.33%
Bond Anticipation Notes-Capital Facility	405,000	5.50%
2005 OPWC Durbin Street Culvert Replacement	99,628	0.00%
2006 Ford Explorer	16,200	5.45%
2004 Ford Crown Victoria	7,342	4.25%
<b>Total</b>	<b><u>\$ 1,128,170</u></b>	

The Bond Anticipation Notes-Water System were obtained to construct water lines to annexed properties around Ohio Route 97 in Jefferson and Washington Townships. The anticipation notes are renewed every year. The Village pays down \$60,000 in principal plus interest each year in the Water Operating Fund. The remainder of the principal is paid out of the General Fund.

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

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

The 2004 Ford Crown Victoria is a three-year lease for a police vehicle. The first payment was due in 2004 for principal only. The final two payments include both principal and interest. The lease is paid out of the Police Levy Fund. The inception of the lease is not presented in the accompanying financial statements.

The 2006 Ford Explorer is a three-year lease for a police vehicle. The first payment was due in 2005 for principal only. The final two payments include both principal and interest. The lease is paid out of the Police Levy Fund. The inception of the lease is not presented in the accompanying financial statements.

**VILLAGE OF BELLVILLE  
 RICHLAND COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2005 and 2004**

**7. DEBT - (continued)**

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

	<u>OPWC</u>	<u>2006 Ford Explorer</u>	<u>2004 Ford Crown Victoria</u>
Year ending December 31:			
2006	\$ 5,244	\$ 8,768	\$ 7,655
2007	5,244	8,768	0
2008	5,244	0	0
2009	5,244	0	0
2010	5,244	0	0
Subsequent	73,408	0	0
<b>Total</b>	<b><u>\$ 99,628</u></b>	<b><u>\$ 17,536</u></b>	<b><u>\$ 7,655</u></b>

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Village was self-insured in 2004 through March 2005. However, after March 2005, the Village converted to a premium-based insurance plan. Currently, the Village has medical insurance through Medical Mutual.

**9. LEGAL COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to a commitment or obligation being incurred.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources.

Contrary to Ohio Revised Code Section 5705.36 and .131, the Village included the principal balance of the Non-Expendable Trust Fund in the Certificate of Available balances and appropriated the principal. Also, the Village expended much the principal of these funds.

**VILLAGE OF BELLVILLE**  
**RICHLAND COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2005 and 2004**

**10. FUND TRANSFERS**

In 2004 and 2005, the Village had an Income Tax Fund. The fund transferred 75% of net revenue to the General Fund and the remaining 25% to the Street Construction Maintenance and Repair Fund per Village ordinance. The Income Tax Fund transferred \$344,644 and \$363,674 in 2004 and 2005, respectively.

In 2005, the Expendable Trust cemetery funds transferred \$530 to the Special Revenue Cemetery Operating Fund for flowers for the cemetery.

In 2005, the General Fund transferred a total of \$53,000 to the Parks and Recreation Fund (\$5,000), the Income Tax Fund (\$34,000) and the Capital Projects Fund (\$14,000) for normal operations.

In 2004, the General Fund transferred a total of \$132,000 to the Parks and Recreation Fund (\$18,500), the Income Tax Fund (\$20,500), Water Operating Fund (\$30,000), Street Construction and Maintenance Fund (\$30,000) and the Capital Projects Fund (\$23,000) for normal operations.

In 2004, the Village transferred \$61 from the Special Revenue Cemetery Operating Fund to the Expendable Trust - Cemetery Flower Fund for use in purchasing flowers for the cemetery. Further, the Expendable Trust funds transferred a total of \$546 to the Special Revenue - Cemetery Fund for normal operations.

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

**11. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

The Village obtained a \$420,000 bond anticipation note on September 14, 2006 with an interest rate of 4.19% and a maturity date of September 13, 2007. The note is for the construction of a new police station.

Management believes there are no material pending claims or lawsuits.

*Charles E. Harris & Associates, Inc.*  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the accompanying financial statements of the Village of Bellville, Richland County, Ohio (the "Village") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 2, 2006, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-VBRC-04.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated October 2, 2006.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-VBRC-001 through 2005-VBRC-003.

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

***Charles E. Harris and Associates, Inc.***  
October 2, 2006

VILLAGE OF BELLVILLE  
RICHLAND COUNTY

SCHEDULE OF FINDINGS  
December 31, 2005 and 2004

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

**FINDING NUMBER 2005-VBRC-01 – Non-compliance Citation**

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

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

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

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

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

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

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

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

VILLAGE OF BELLVILLE  
RICHLAND COUNTY

SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2005 and 2004

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

**FINDING NUMBER 2005-VBRC-02 – Non-compliance Citation**

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

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

During 2005, the Village included the principal portion of the nonexpendable trust fund in the unencumbered balance on the certificate of estimated resources. Also, the Village appropriated the principal and interest. The Village expended principal as well.

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

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

**FINDING NUMBER 2005-VBRC-03 – Non-compliance Citation**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year ended December 31, 2004 and 2005, the following funds' appropriations exceeded total estimated resources:

2004

Capital Project-Capital Improvement Fund (\$248,288)

2005

Expendable Trust-Trust Fund (\$471)

In addition, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control at the end of the year, as well as at various points during the year. The Village's legal level of control is the at the fund level for all funds. During the month ended October 31, 2004, the following fund's appropriations exceeded total estimated resources:

Special Revenue-Street Levy Fund (\$116,246)

The Village Council should monitor appropriations versus estimated resources to help avoid overspending. Management agrees and will monitor appropriations versus estimated resources.



VILLAGE OF BELLVILLE  
RICHLAND COUNTY

SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2005 and 2004

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</p>
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**FINDING NUMBER 2005-VBRC-04 – Material Weakness**

**Bank Reconciliations**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2004 through December 31, 2005, the Village did not resolve various differences between the adjusted bank balance and the balance reflected within the Village's accounting records. The annual reports for these years were filed with the Auditor of State with these unresolved differences.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

The Village should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Village Council should sign and date the bank reconciliations to indicate that they have been reviewed and approved.

Management agrees and will properly reconcile their bank accounts monthly.

**VILLAGE OF BELLVILLE  
RICHLAND COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2005 and 2004**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2003-Bell-01	Proper distribution of interest among funds	No	Partially Corrected. Included as Management Letter Item.
2003-Bell-02	Material Weakness- Bank accounts were not properly reconciled	No	Repeated as 2005- VBRC-04



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**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  
DECEMBER 26, 2006**