

***VILLAGE OF BELLVILLE
RICHLAND COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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



Mary Taylor, CPA

Auditor of State

Members of 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, 2008 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 27, 2010

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VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2009 and 2008

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

INDEPENDENT ACCOUNTANTS' REPORT

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

To The Village Council:

We have audited the accompanying financial statements of the Village of Bellville (Village), Richland County, Ohio as and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2009 and 2008. 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, 2009 and 2008, 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, 2009 and 2008, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Bellville, Richland County as of December 31, 2009 and 2008, 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, 2009 and 2008. 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 April 26, 2010, 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.
April 26, 2010

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2009

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent Fund	
RECEIPTS:					
Property and Local Taxes	\$ 83,189	\$ 601,456	-	-	\$ 684,645
Intergovernmental	63,603	174,038	-	-	237,641
Charges for Services	1,310	41,269	-	-	42,579
Fines, Licenses and Permits	68,122	4,635	-	-	72,757
Earnings on Investments	889	209	-	\$ 76	1,174
Miscellaneous	14,975	54,352	-	-	69,327
Total Cash Receipts	232,088	875,959	-	76	1,108,123
DISBURSEMENTS:					
Security of Persons and Property	268,498	63,619	-	-	332,117
Public Health Services	-	85,386	-	76	85,462
Leisure Time Activities	25,459	51,996	-	-	77,455
Community Environment	1,335	-	-	-	1,335
Transportation	-	287,490	-	-	287,490
General Government	180,767	48,185	-	-	228,952
Debt Service:					
Retirement of Principal	-	21,940	\$ 765,244	-	787,184
Interest and Fiscal Charges	-	1,689	23,494	-	25,183
Total Cash Disbursements	476,059	560,305	788,738	76	1,825,178
Cash Receipts Over/(Under) Cash Disbursements	(243,971)	315,654	(788,738)	-	(717,055)
Other Financing Sources (Uses):					
Sale of Notes	-	-	714,853	-	714,853
Advances In	-	12,000	-	3,495	15,495
Advances Out	-	(15,495)	-	-	(15,495)
Transfers In	327,235	48,576	73,885	-	449,696
Transfers Out	(32,273)	(366,967)	-	-	(399,240)
Total Other Financing Sources (Uses)	294,962	(321,886)	788,738	3,495	50,456
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	50,991	(6,232)	-	3,495	48,254
Fund Cash Balance, January 1, 2009	(33,639)	280,712	90	18,891	266,054
Fund Cash Balance, December 31, 2009	\$ 17,352	\$ 274,480	\$ 90	\$ 22,386	\$ 314,308
Reserve for Encumbrances, December 31, 2009	\$ 100	\$ -	\$ -	\$ -	\$ 100

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, 2009

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>(Memorandum Only) Total</u>
	<u>Enterprise</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 424,318	-	\$ 424,318
Total Operating Cash Receipts	424,318	-	424,318
 OPERATING CASH DISBURSEMENTS			
Personal Services	89,651	-	89,651
Employee Fringe Benefits	33,399	-	33,399
Contractual Services	139,642	-	139,642
Materials and Supplies	35,258	-	35,258
Capital Outlay	93	-	93
Total Operating Cash Disbursements	298,043	-	298,043
Operating Income (Loss)	126,275	-	126,275
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Sale of Notes	380,000	-	380,000
Bed Tax	-	\$ 74,438	74,438
Fines, Licenses and Permits	-	56,722	56,722
Distribution of Bed Tax	-	(23,982)	(23,982)
Distribution of Fines, Licenses and Permits	-	(60,719)	(60,719)
Miscellaneous	275	18	293
Debt Service:			
Retirement of Principal	(451,427)	-	(451,427)
Interest and Fiscal Charges	(26,754)	-	(26,754)
Total Non Operating Cash Receipts (Disbursements)	(97,906)	46,477	(51,429)
Transfers Out	-	(50,456)	(50,456)
Excess of Cash Receipts Over/(Under) Cash Disbursements	28,369	(3,979)	24,390
Fund Cash Balance, January 1, 2009	204,914	4,298	209,212
Fund Cash Balance, December 31, 2009	\$ 233,283	\$ 319	\$ 233,602

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2008

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent Fund	
RECEIPTS:					
Property and Local Taxes	\$ 116,152	\$ 589,729	-	-	\$ 705,881
Intergovernmental	75,511	142,386	-	-	217,897
Charges for Services	-	54,342	-	-	54,342
Fines, Licenses and Permits	50,324	7,008	-	-	57,332
Earnings on Investments	7,156	305	-	\$ 915	8,376
Miscellaneous	4,820	44,343	-	-	49,163
Total Cash Receipts	253,963	838,113	-	915	1,092,991
DISBURSEMENTS:					
Security of Persons and Property	275,955	66,692	-	-	342,647
Public Health Services	-	92,522	-	915	93,437
Leisure Time Activities	-	23,724	-	-	23,724
Transportation	-	333,732	-	-	333,732
General Government	389,423	7,239	-	-	396,662
Capital Outlay	-	38,600	-	-	38,600
Debt Service:					
Retirement of Principal	440,000	21,319	\$ 814,244	-	1,275,563
Interest and Fiscal Charges	15,638	12,262	-	-	27,900
Total Cash Disbursements	1,121,016	596,090	814,244	915	2,532,265
Cash Receipts Over/(Under) Cash Disbursements	(867,053)	242,023	(814,244)	-	(1,439,274)
Other Financing Sources (Uses):					
Sale of Notes	440,052	-	760,000	-	1,200,052
Advances In	-	855	-	3,494	4,349
Advances Out	(855)	(3,494)	-	-	(4,349)
Transfers In	406,673	54,428	50,088	-	511,189
Transfers Out	(19,283)	(432,226)	-	-	(451,509)
Total Other Financing Sources (Uses)	826,587	(380,437)	810,088	3,494	1,259,732
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(40,466)	(138,414)	(4,156)	3,494	(179,542)
Fund Cash Balance, January 1, 2008	6,827	419,126	4,246	15,397	445,596
Fund Cash Balance, December 31, 2008	\$ (33,639)	\$ 280,712	\$ 90	\$ 18,891	\$ 266,054
Reserve for Encumbrances, December 31, 2008	\$ 1,722	\$ 983	\$ -	\$ -	\$ 2,705

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, 2008

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 405,679	-	\$ 405,679
Total Operating Cash Receipts	405,679	-	405,679
OPERATING CASH DISBURSEMENTS			
Personal Services	64,826	-	64,826
Employee Fringe Benefits	24,121	-	24,121
Contractual Services	56,761	-	56,761
Materials and Supplies	110,689	-	110,689
Capital Outlay	37,944	-	37,944
Total Operating Cash Disbursements	294,341	-	294,341
Operating Income (Loss)	111,338	-	111,338
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)			
Bed Tax	-	\$ 88,611	88,611
Fines, Licenses and Permits	-	48,894	48,894
Distribution of Bed Tax	-	(28,903)	(28,903)
Distribution of Fines, Licenses and Permits	-	(48,746)	(48,746)
Miscellaneous	3,201	16	3,217
Debt Service:			
Retirement of Principal	(82,771)	-	(82,771)
Interest and Fiscal Charges	(33,648)	-	(33,648)
Total Non Operating Cash Receipts (Disbursements)	(113,218)	59,872	(53,346)
Transfers Out	-	(59,680)	(59,680)
Excess of Cash Receipts Over/(Under) Cash Disbursements	(1,880)	192	(1,688)
Fund Cash Balance, January 1, 2008	206,794	4,106	210,900
Fund Cash Balance, December 31, 2008	\$ 204,914	\$ 4,298	\$ 209,212
Reserve for Encumbrances, December 31, 2008	\$ 272	-	\$ 272

See Accompanying Notes to the Financial Statements

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

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

B. BASIS OF ACCOUNTING

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

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

C. INVESTMENTS AND INACTIVE FUNDS

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

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

D. FUND ACCOUNTING

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

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

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

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

1. **General Fund**

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

2. **Special Revenue Funds**

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

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

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

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

3. **Capital Projects Funds**

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

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

4. **Enterprise Funds**

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

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

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

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

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

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

5. **Permanent Fund**

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

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

6. **Fiduciary Funds**

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

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

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

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008

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

E. **BUDGETARY PROCESS** - (continued)

3. **Encumbrances**

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$525,182	\$454,794
Savings Accounts	342	1,580
STAR-Ohio	<u>22,386</u>	<u>18,892</u>
Total	<u>\$547,910</u>	<u>\$475,266</u>

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

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

VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 is as follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$568,365	\$559,323	(\$9,042)
Special Revenue	1,081,775	936,535	(145,240)
Capital Projects	788,738	788,738	0
Enterprise	784,593	804,593	20,000
Permanent	4,409	3,571	(838)
Total	\$ 3,227,880	\$ 3,092,760	\$(135,120)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,169,844	\$1,100,688	(\$69,156)
Special Revenue	929,195	893,396	(35,799)
Capital Projects	810,200	810,088	(112)
Enterprise	357,000	408,880	51,880
Permanent	4,409	4,409	0
Total	\$3,270,648	\$3,217,461	(\$53,187)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$521,622	\$508,432	\$13,190
Special Revenue	1,312,539	942,767	369,772
Capital Projects	788,738	788,738	0
Enterprise	833,913	776,224	57,689
Permanent	1,000	76	924
Total	\$3,457,812	\$3,016,237	\$441,575

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

3. BUDGETARY ACTIVITY – (continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,159,170	\$1,142,876	\$16,294
Special Revenue	1,132,837	1,032,793	100,044
Capital Projects	814,300	814,244	56
Enterprise	445,354	411,032	34,322
Permanent	1,179	915	264
Total	<u>\$3,552,840</u>	<u>\$3,401,860</u>	<u>\$150,980</u>

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 utility property tax receipts received represent the collection of the previous year's taxes. Public utility real and tangible personal property taxes received in the current year became a lien on December 31, were levied after October 1 of the previous year, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in the current year (other than public utility property) represent the collection of the previous year's taxes. Tangible personal property taxes received in the current year were levied after October 1 of the previous year, on the true value as of December 31 of the previous year. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, 6.25 percent for 2008, and zero for 2009.

The Richland County Auditor 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, 2009 and 2008

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are a cost sharing, multiple-employer plans. This plan provide 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 2009 & 2008, OPERS members contributed 10% of their wages. The Village contributed an amount equal to 14% of participants' gross salaries during the year. The Village has paid all contributions required through December 31, 2009 and 2008.

Contribution rates are also prescribed by the Ohio Revised Code. For both years, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% for police officers of participants' gross salaries during the years. The Village has paid all contributions required through December 31, 2009 and 2008.

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.

In 2009, the Village transferred 76% from to the General Fund and 14% to the Street Construction and Maintenance and Repair Fund. The Income Tax Fund – Special Revenue Fund retained the remaining 10% to fund normal operations. In 2008, the Village transferred 80% to the General Fund and 20% to the Street Construction and Maintenance and Repair Fund per Village ordinances.

7. DEBT

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
BAN - Various Purposes	\$1,094,905	3.74%
2005 OPWC Durbin Street Culvert Replacement	78,654	0.00%
OWDA	284,312	4.49%
John Deere Backhoe	7,407	0.00%
Kansas State Bank of Manhattan Backhoe	<u>23,072</u>	1.00%
Total	<u><u>\$1,488,350</u></u>	

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

7. DEBT - (continued)

The two Bond Anticipation Notes (BAN) were combined in 2008. The proceeds of the BAN's were obtained to construct water lines to annexed properties around Ohio Route 97 in Jefferson and Washington Townships, construct a police building and construct a maintenance building. The anticipation notes are renewed every year. The Village pays principal plus interest each year.

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

The Ohio Water Development Authority (OWDA) loan relates to the improvement of the waste water treatment facility. OWDA approved \$358,123 for the loan to be paid over 20 years. On July 1, 2008, OWDA reduced the loan amount by \$35,939.

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

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

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

Year ending December 31:	OPWC	John Deere Backhoe	OWDA	Kansas State Bank of Manhattan
2010	\$5,244	\$7,407	\$24,579	\$12,408
2011	5,244	0	24,579	12,408
2012	5,244	0	24,579	0
2013	5,244	0	24,579	0
2014	5,244	0	24,579	0
2015-2019	26,220	0	122,895	0
2020-2024	26,214	0	122,895	0
2025-2026	0	0	50,958	0
Total	\$78,654	\$7,407	\$419,643	\$24,816

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

8. RISK MANAGEMENT

The District belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Insurance

For occurrences prior to January 1, 2006, PEP retains casualty risk up to \$250,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage up to \$10,000,000, from General Reinsurance Corporation.

For occurrences on or after January 1, 2006, PEP retains casualty risk up to \$350,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an annual aggregate of \$10,000,000.

Property Insurance

Through 2004, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP’s Guarantee Fund pay losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit. The aggregate loss limit for 2008 and 2007 were \$2,014,547 and \$2,000,000, respectively.

The aforementioned casualty and property reinsurance agreements do not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF BELLVILLE
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008**

8. RISK POOL MEMBERSHIP - (continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.7 million and \$15.9 of estimated incurred claims payable. The assets and retained earnings above include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. PEP will collect these amounts in the future annual premium billings when PEP's related liabilities are due for payment.

Based on discussion with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP each year of the membership.

Contributions to PEP

2007	\$18,429
2008	\$17,249
2009	\$16,696

Members may withdraw in each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible got a full or partial refund of their capital contribution, minus subsequent year's premium. Also, upon withdrawal, payments of all property and casualty claims an claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year. The Village also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

9. TRANSFERS

In 2009 and 2008, the Income Tax Fund – Special Revenue Fund transferred \$322,550 and \$401,139, respectively, to the General Fund and Street Construction, Maintenance & Repair Fund – Special Revenue Fund per ordinances.

In 2009, the Street Levy Fund – Special Revenue Fund transferred \$5,243 to the OPWC Durbin Street Culvert Fund – Capital Projects Fund for payment of debt.

In 2008, the Street Levy Fund – Special Revenue Fund transferred \$5,187 to the OPWC Durbin Street Culvert Fund – Capital Projects Fund for payment of debt.

In 2009, the Street Construction, Maintenance & Repair Fund transferred \$36,368 to the Street Maintenance Building Fund – Capital Projects Fund for payment of debt.

In 2008, the Street Construction, Maintenance & Repair Fund transferred \$25,900 to the Street Maintenance Building Fund – Capital Projects Fund for payment of debt.

In 2009, the Parks & Recreation Fund – Special Projects Fund transferred the remaining balance of \$2,804 to General Fund. The fund was closed.

In 2009, General Fund transferred \$32,273 to the Bond Construction Police Station – Capital Project Fund for payment of debt.

In 2008, General Fund transferred \$19,000 to the Bond Construction Police Station – Capital Project Fund for payment of debt.

In 2009 and 2008, the Bed Tax - Agency Fund transferred \$50,456 and \$59,680, respectively, to the General Fund.

In 2008, the General Fund transferred \$283 to the Income Tax Fund – Special Revenue Fund to subsidize operations.

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

10. COMPLIANCE

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

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

Contrary to Ohio Revised Code Section 5705.10, the General Fund had a negative fund balance at December 31, 2008.

11. CONTINGENT LIABILITIES

Management believes there are no material pending claims or lawsuits.

VILLAGE OF BELLVILLE
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

12. INTERFUND ACTIVITY

In 2005, the Cemetery Operating Fund received a \$33,240, 1% loan from the Cemetery Endowment Fund for paving the cemetery. The Cemetery Operating Fund pays back the loan in monthly installments of \$291 through 2015. The outstanding balance as of December 31, 2009 was \$19,291.

In 2008, the General Fund advanced \$855 to the Income Tax Fund – Special Revenue Fund to subsidize operations. In 2010, the Village returned the advance to the General Fund.

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

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

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

To the Village Council:

We have audited the financial statements of the Village of Bellville, Richland County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 26, 2010, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-VBRC-03 and 2009-VBRC-04 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-VBRC-01, 2009-VBRC-02 and 2009-VBRC-04.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated April 26, 2010.

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

Charles E. Harris and Associates, Inc.
April 26, 2010

VILLAGE OF BELLVILLE
RICHLAND COUNTY

SCHEDULE OF FINDINGS
December 31, 2009 and 2008

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

Finding Number 2009-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.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS (continued)
December 31, 2009 and 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2009-VBRC-01 – Non-Compliance Citation (continued)

The Village did not make the proper certification of funds in all instances. Forty-six of 80 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’s Response: The Village has implemented a new purchasing policy.

Finding Number 2009-VBRC-02 – Non-compliance Citation

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

2009 Fund	Estimated Receipts	Actual Receipts	Variance
SCM&R Fund - Special Revenue Fund	\$183,520	\$167,165	(\$16,355)
Special Parks Fund - Special Revenue Fund	96,646	11,329	(85,317)
Education Enforcement Fund - Special Revenue Fund	7,000	4,278	(2,722)
Police Levy Fund - Special Revenue Fund	85,500	63,180	(22,320)
Street Levy Fund - Special Revenue Fund	208,500	169,463	(39,037)
2008 Fund			
General Fund	\$1,169,844	\$1,100,688	(\$69,156)
SCM&R Fund - Special Revenue Fund	184,458	153,022	(31,436)
State Highway Fund - Special Revenue Fund	2,198	2,034	(164)
Income Tax Fund - Special Revenue Fund	415,000	407,217	(7,783)
Durbin Street Culvert Fund - Capital Projects Fund	5,300	5,187	(113)

Management’s Response: Management will do a year-end amended certificate for revenue and modify appropriations.

VILLAGE OF BELLVILLE
RICHLAND COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2009 and 2008

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>
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Finding Number 2009-VBRC-03 – Material Weakness

A fundamental concept of good internal controls over financial reporting is to have proper segregation of duties. Internal controls are designed to safeguard assets and help detect losses from employee dishonesty and/or error. We noted that the utility department did not have proper segregation of duties, wherein one employee could process the accounting records, collect utility payments and make credit adjustments in the computer system. An employee with access to cash utility collections should not be able to make credit adjustments in the computer system without proper supervisory approval. Furthermore, the computer system should provide an audit trail of the employee who processed every transaction. Without segregation of duties and individual identifications in the computer system, the Village's internal control is weakened, which could hinder the detection of employee dishonesty and/or errors.

The Village utility department should implement supervisory approval on all credit adjustments. Also, a supervisor should examine the credit adjustment ledger on a daily/weekly basis to verify that proper approval has been obtained for all credit adjustments made in the computer system. The supervisor should document that the daily adjustment ledger have been approved.

We recommend that the Village segregate the duties of billing and collecting utility payments. Further, we recommend that the Village Administrator review and approve all credit adjustments in utility system.

Management's Response: The Village Administrator now approves and verifies all adjustments. Council will be addressing the issue of segregation of duties for the water/sewer billing and collections.

VILLAGE OF BELLVILLE
RICHLAND COUNTY

SCHEDULE OF FINDINGS (continued)
December 31, 2009 and 2008

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>
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Finding Number 2009-VBRC-04 – Material Weakness and Non-Compliance Citation

Auditor of State Bulletin 97-003 states that advances are intended to temporarily reallocate cash from one fund to another and involve the expectation of repayment. The advancing fund (the creditor fund) must also have statutory authority to use the money for the same purpose which the fund receiving the cash (the debtor fund) was established.

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see ORC 5705.14, 5705.15 and 5705.16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

We noted that in the Village advanced \$80,000 from the Sewer Fund – Enterprise Fund to the General Fund to cover payroll costs. The General Fund repaid the Sewer Fund – Enterprise Fund in full on April 12, 2010.

The reversal of the \$80,000 advance in the financial statements caused the December 31, 2008 General Fund balance to be (\$33,639). As a result, the Village was not in compliance with Ohio Revised Code Section 5705.10 which states that money paid into a fund must be used only for the purposes for which such fund has been established.

We recommend that the Village only advance from the General Fund or from fund to fund for related expenditures.

Management's Response: Management is aware of the requirements and will never do it again.

**VILLAGE OF BELLVILLE
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 & 2008**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VBRC-01	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village made expenditures before encumbering the funds.	No	Repeated as 2009-VBRC-01
2007-VBRC-02	Contrary to Ohio Rev. Code Section 5705.36, the Village appropriated principal and interest for the Nonexpendable Trust Fund	Yes	No longer valid
2007-VBRC-03	Contrary to Ohio Rev. Code Section 5705.36 (A)(4), estimated resources are higher than actual receipts	No	Repeated as 2009-VBRC-02.
2007-VBRC-04	Audit adjustments	Yes	No longer valid



Mary Taylor, CPA
Auditor of State

VILLAGE OF BELLVILLE

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2010**