



Mary Taylor, CPA  
Auditor of State



VILLAGE OF BELLAIRE  
BELMONT COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Bellaire  
Belmont County  
3197 Belmont Street  
Bellaire, Ohio 43906

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

May 15, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Bellaire  
Belmont County  
3197 Belmont Street  
Bellaire, Ohio 43906

To the Village Council:

We have audited the accompanying financial statements of the Village of Bellaire, Belmont County, Ohio (the Village), as of and for the year ended December 31, 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2008, or its changes in financial position or cash flows, where applicable for the year 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 Bellaire, Belmont County, as of December 31, 2008, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

May 15, 2009



**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$101,011	\$59,975		\$160,986
Municipal Income Tax	674,595			674,595
Intergovernmental	566,315	209,167		775,482
Charges for Services	30,728	21,653		52,381
Fines, Licenses and Permits	72,171	1,305		73,476
Earnings on Investments	27,739	1,272		29,011
Rental Income			\$28,800	28,800
Miscellaneous	35,093	14,321		49,414
	<u>1,507,652</u>	<u>307,693</u>	<u>28,800</u>	<u>1,844,145</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	803,475	34,109		837,584
Community Environment			3,646	3,646
Transportation		194,221		194,221
General Government	446,725			446,725
Debt Service:				
Redemption of Principal	285,681	117,586		403,267
Interest and Fiscal Charges	4,596	40,308		44,904
Capital Outlay	299,848	32,397		332,245
	<u>1,840,325</u>	<u>418,621</u>	<u>3,646</u>	<u>2,262,592</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(332,673)</u>	<u>(110,928)</u>	<u>25,154</u>	<u>(418,447)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Line of Credit	278,736			278,736
Sale of Notes	51,578			51,578
Transfers-In	76,475			76,475
Transfers-Out			(76,475)	(76,475)
	<u>406,789</u>	<u>0</u>	<u>(76,475)</u>	<u>330,314</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	74,116	(110,928)	(51,321)	(88,133)
Fund Cash Balances, January 1 - Restated See Note 3	<u>116,171</u>	<u>553,427</u>	<u>62,735</u>	<u>732,333</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$190,287</u></b>	<b><u>\$442,499</u></b>	<b><u>\$11,414</u></b>	<b><u>\$644,200</u></b>

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

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,546,921		\$1,546,921
Miscellaneous	1,014		1,014
Total Operating Cash Receipts	<u>1,547,935</u>	<u>\$0</u>	<u>1,547,935</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	708,493		708,493
Contractual Services	415,439		415,439
Supplies and Materials	165,066		165,066
Total Operating Cash Disbursements	<u>1,288,998</u>	<u>0</u>	<u>1,288,998</u>
Operating Income	<u>258,937</u>	<u>0</u>	<u>258,937</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	2,940		2,940
Other Non-Operating Cash Receipts		31,782	31,782
Total Non-Operating Cash Receipts	<u>2,940</u>	<u>31,782</u>	<u>34,722</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	65,791		65,791
Redemption of Principal	146,719		146,719
Interest and Other Fiscal Charges	38,800		38,800
Other Non-Operating Cash Disbursements		31,747	31,747
Total Non-Operating Cash Disbursements	<u>251,310</u>	<u>31,747</u>	<u>283,057</u>
Net Receipts Over Disbursements	10,567	35	10,602
Fund Cash Balances, January 1	<u>493,048</u>	<u>23</u>	<u>493,071</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$503,615</u></b>	<b><u>\$58</u></b>	<b><u>\$503,673</u></b>

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

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 – DESCRIPTION OF THE ENTITY**

The Village of Bellaire, Belmont County (the Village) is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The Village is located in Belmont County, in Southeastern Ohio, on the Ohio River. Bellaire was incorporated as a village in 1860. The Village was established as a statutory municipal corporation in 1873. Bellaire has a land area of 1.9 square miles and a 2001 census population of 4,892. A publicly-elected six-member Council governs the Village. The Village provides water, sewer and sanitation utilities, maintenance of Village streets, recreation, fire and emergency medical services, and police services. The Village contracts with the Neffs Volunteer Fire Department to provide fire protection and emergency medical services. The Village is involved with the Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association (OMEGA), Jefferson-Belmont Joint Solid Waste Authority, Bel-O-Mar Regional Council, and the Eastern Ohio Regional Wastewater Authority (EORWA) which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 14. Also, the Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 8 to the financial statement provides additional information for this entity.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

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

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

**B. Cash and Investments**

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

**C. 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 type of fund are as follows:

VILLAGE OF BELLAIRE  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**1. Governmental Fund Types:**

**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 by law or contract to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The following is the Village's significant Special Revenue Fund:

***Street Maintenance Fund*** – The Street Maintenance Fund is used to account for financial resources to be used for various street maintenance projects.

**Capital Projects Funds**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The following is the Village's significant Capital Projects Fund:

***Commerce Park Fund*** – The Commerce Park Fund is used to account for property rental fees charged to businesses located on Village owned property.

**2. Proprietary Fund Type:**

**Enterprise Funds**

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's significant Enterprise Funds are:

***Water Fund*** – The Water fund accounts for the provision of water service to the residents and commercial users within the Village.

***Sanitation Fund*** – The Sanitation fund accounts for the provision of sanitation services to the residents and commercial users located within the Village.

VILLAGE OF BELLAIRE  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**3. Fiduciary Fund Type**

**Agency Fund**

The Agency Funds are purely custodial for which the Village is acting in an agency capacity. The following is the Village's significant Agency Fund:

*Mayor's Court Fund* – This fund accounts for the financial activity of the Mayor's Court.

**D. Budgetary Process**

**Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the subsequent January 1 to December 31 year.

**Estimated Resources**

The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in Note 5 do not include January 1, 2008, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended during the year as new information becomes available. Appropriations may not exceed estimated resources. All funds, other than Agency Funds, are required to be budgeted and appropriated.

**Encumbrances**

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The Village did not use the encumbrance method of accounting.

A summary of 2008 budgetary activity appears in Note 5.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for the Village are recorded as disbursements. Depreciation is not recorded for these fixed assets. The accompanying financial statements do not report these items as assets.

**F. Accumulated Leave**

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

**G. Total Columns on the Financial Statements**

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

**NOTE 3 – RESTATEMENT OF FUND BALANCE**

In 2006, rental income in the amount of \$1,365 was posted incorrectly to the Commerce Park Capital Projects Fund instead of the Community Development Block Grant Special Revenue Fund as proper. The Village has posted this prior period adjustment to the Village's books in 2008. The following identifies the effect of this change on fund balance by fund type:

	<b>Fund Balance</b>	<b>Restatement</b>	<b>Restated</b>
<b>Fund Type:</b>	<b>at 12/31/07</b>	<b>Amount</b>	<b>Fund Balance</b>
			<b>at 12/31/07</b>
Special Revenue	\$552,062	\$1,365	\$553,427
Capital Projects	\$64,100	(\$1,365)	\$62,735

**NOTE 4 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the five-year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations as described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasury Assets Reserve of Ohio (STAROhio).

At December 31, 2008, the Village had no investments; it only deposited and held monies in interest drawing checking accounts at financial institutions which provided statements of pledged collateral. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or collateral pledged by the financial institution in the Village's name to secure the repayment of Village monies deposited within the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Village's deposits was \$985,263 and the bank balance was \$1,042,696. Of the bank balance \$250,000 was covered by federal depository insurance and the remainder was covered by a letter of credit in the banking institution's and Villages' names.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At year end, the Village had \$225 in un-deposited cash on hand which is included as part of the Village's fund balances.

**Amounts Held by a Third Party Trustee** As a result of Bond Indenture covenants, the Village has reported the market value of shares in a U.S. Treasury Money Market Mutual Fund, held by a third party trustee (The Bank of New York Mellon Trust Company), in the amount of \$162,385 and included in the fund balance of the Business-Type Fund. These restricted assets reflect the amount of accumulated resources for principal and interest payments for water system improvements.

**NOTE 5 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2008, follows:

<b>2008 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,850,325	\$1,914,441	\$64,116
Special Revenue	278,474	307,693	29,219
Capital Projects	24,000	28,800	4,800
Enterprise	1,520,901	1,550,875	29,974
Total	\$3,673,700	\$3,801,809	\$128,109

<b>2008 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,860,355	\$1,840,325	\$20,030
Special Revenue	438,190	418,621	19,569
Capital Projects	76,475	80,121	(3,646)
Enterprise	1,559,915	1,540,308	19,607
Total	\$3,934,935	\$3,879,375	\$55,560



**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 5 – BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Levy Fund by \$365, the State Law Enforcement Fund by \$269, the Indigent Driver Fund by \$3,967, the Commerce Park Fund by \$3,646, the Sanitation Fund by \$11,925, and the Sewer Fund by \$8,496 for the year ended December 31, 2008.

**NOTE 6 – PROPERTY TAXES**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual 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 by the property owners, who must file a list of such property to the County each April 30.

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

**NOTE 7 - INCOME TAX**

The Village levies a municipal income tax of 1% on substantially all income earned within the Village. In addition, the residents of the Village are required to pay income tax on income earned outside the Village; however, the Village allows a credit for income taxes paid to another municipality up to 100% of the Village's current tax rate.

Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, maintenance of equipment, new equipment, extension and enlargement of municipal services and facilities, and capital improvements as determined by Village Council. Income tax collections for 2008 were \$674,595 and proceeds were allocated to the Village's General Fund.

**NOTE 8 - RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village 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

VILLAGE OF BELLAIRE  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

**NOTE 8 - RISK MANAGEMENT (Continued)**

PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence.

This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses 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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 8 - RISK MANAGEMENT (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$63,446 at December 31, 2007 and \$66,256 at December 31, 2008. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions 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 for each year of membership.

<u>Contributions to PEP</u>	
2006	\$54,796
2007	55,170
2008	57,614

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 9 – RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees and most Village officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14.0 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

Three officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2008, employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participant's gross salaries.

**NOTE 10 – SHORT TERM DEBT**

The Village is currently involved in a boat launch project. There is a line of credit at JP Morgan Chase bank that was entered into by the Village to help provide funding for the project. The proceeds from the line of credit were used to cover the costs of the project until reimbursement could be received from the Ohio Department of Natural Resources. The Village repaid the line of credit as grant reimbursements were received. There was a zero balance on the line of credit at December 31, 2007. During 2008, proceeds from the line of credit totaled \$278,736. Principal payments in the amount of \$278,736 were made during 2008 which reduced the credit line balance to zero at December 31, 2008. The interest rate on the line of credit was 6 percent and the total interest paid in 2008 was \$2,787.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 11 – LONG TERM OBLIGATIONS**

Changes in long-term obligations of the Village during the year ended December 31, 2008 consisted of the following:

	Outstanding 12/31/07	Additions	Reductions	Outstanding 12/31/08
<b><u>Enterprise Fund Obligations</u></b>				
<i>Mortgage Revenue Bonds:</i>				
Water System - 5-6.875%	\$ 375,000	\$ 0	\$ (120,000)	\$ 255,000
<i>General Obligation Bonds:</i>				
Sanitary Sewer Bond - 5%	295,700	0	(8,300)	287,400
<i>Installment Notes:</i>				
Dump truck - 4.5%	2,031	0	(2,031)	0
Sewer truck - 4%	10,686	0	(10,686)	0
<i>Capital Lease:</i>				
Backhoe Lease	18,704	0	(5,702)	13,002
<i>Total Enterprise Fund Obligations</i>	<u>702,121</u>	<u>0</u>	<u>(146,719)</u>	<u>555,402</u>
<b><u>Governmental Fund Obligations</u></b>				
<i>Installment Notes:</i>				
Ambulance - 5%	19,514	0	(19,514)	0
Fire truck - 4.5%	61,924	0	(61,924)	0
Dump truck - 4.5%	1,016	0	(1,016)	0
Boat Launch - 4.9%	0	51,578	(6,945)	44,633
<i>Total installment notes</i>	<u>82,454</u>	<u>51,578</u>	<u>(89,399)</u>	<u>44,633</u>
Police & Fire pension - 4.25%	343,690	0	(6,795)	336,895
<i>Capital Leases:</i>				
Backhoe Lease	9,351	0	(2,851)	6,500
Fire Truck Lease	379,366	0	(25,486)	353,880
<i>Total Governmental Fund Obligations</i>	<u>814,861</u>	<u>51,578</u>	<u>(124,531)</u>	<u>741,908</u>
<b>Grand Total</b>	<u><u>\$ 1,516,982</u></u>	<u><u>\$ 51,578</u></u>	<u><u>\$ (271,250)</u></u>	<u><u>\$ 1,297,310</u></u>

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 11 – LONG TERM OBLIGATIONS (Continued)**

The Enterprise Fund Obligations (general obligation bonds and mortgage revenue bonds), will be paid from revenues derived from charges for services in the enterprise funds. Capital lease obligations will be paid from the fund that maintains custody of the related asset. The Governmental Fund Obligations (installment note and the police and fire pension liability) will be paid from revenues from the General, Street Maintenance, Fire Levy, and Fire EMS Levy Funds' and property tax revenues from the Police Pension and Fire Pension Funds.

The installment notes are backed by the full faith and credit of the Village of Bellaire.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008, are as follows:

Year	Enterprise Funds		Governmental Funds		Total
	General Obligation Bonds	Mortgage Revenue Bonds	Installment Notes	Police and Fire Pension	
2009	\$ 23,070	\$ 140,619	\$ 11,671	\$ 21,330	\$ 196,690
2010	23,035	137,963	11,671	21,330	193,999
2011	23,080	0	11,671	21,330	56,081
2012	23,000	0	11,671	21,330	56,001
2013	23,000	0	2,918	21,330	47,248
2014-2018	115,255	0	0	106,648	221,903
2019-2023	115,340	0	0	106,648	221,988
2024-2028	115,605	0	0	106,649	222,254
2029-2033	0	0	0	106,649	106,649
2034-2035	0	0	0	31,033	31,033
	<u>\$ 461,385</u>	<u>\$ 278,582</u>	<u>\$ 49,602</u>	<u>\$ 564,277</u>	<u>\$ 1,353,846</u>

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 12- CAPITAL LEASES**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

<b>Governmental</b>			
Year	Fire Truck	Backhoe	Total
2009	\$ 47,831	\$ 3,322	\$ 51,153
2010	47,831	3,322	51,153
2011	47,831	277	48,108
2012	47,831	0	47,831
2013	47,831	0	47,831
2014-2018	239,153	0	239,153
2019-2022	0	0	0
Total Minimum Lease Payments	478,308	6,921	485,229
Less: Amount representing interest	(124,428)	(421)	(124,849)
Present value of minimum lease payments	\$ 353,880	\$ 6,500	\$ 360,380

<b>Enterprise</b>		
Year	Backhoe	Total
2009	\$ 6,644	\$ 6,644
2010	6,644	6,644
2011	554	554
2012	0	0
2013	0	0
Total Minimum Lease Payments	13,842	13,842
Less: Amount representing interest	(840)	(840)
Present value of minimum lease payments	\$ 13,002	\$ 13,002

**NOTE 13 – TRANSFERS**

During 2008, the Commerce Park Capital Projects Fund transferred \$76,475 of unused monies to the General Fund. This transfer, by order of the Belmont County Court of Common Pleas, was to help cover operating expenses of the Village.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)**

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

- A. Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The Village did not contribute any amounts to the Authority during 2008. The continued existence of the Authority is not dependent on the Village's continued participation and no equity interest exists. The Authority has no outstanding debt for which the Village of Bellaire is responsible.
- B. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. Village membership is voluntary. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2008, OMEGA did not receive any fees from the Village of Bellaire. The continued existence of OMEGA is not dependent on the Village's continued participation and no equity interest exists. OMEGA has no outstanding debt.
- C. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the Village of Bellaire is a member. The Authority is not dependent on the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.
- D. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia (Ohio, Marshall, and Wetzell Counties). The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The Council is not dependent upon the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. During 2008, the Village did not pay any fees to Bel-O-Mar Regional Council.
- E. Eastern Ohio Regional Wastewater Authority (EORWA) is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, Bridgeport and Martins Ferry. The Authority is operated by a four-member Board of Trustees. One member is appointed by the Mayor of Bellaire. The Authority is not dependent on the Village of Bellaire for its continued existence and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.



VILLAGE OF BELLAIRE  
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

**NOTE 15 – CONTINGENCIES**

A. Grants

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2008.

B. Litigation

The Village is currently party to pending litigation. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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# Mary Taylor, CPA

Auditor of State

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

Village of Bellaire  
Belmont County  
3197 Belmont Street  
Bellaire, Ohio 43906

To the Village Council:

We have audited the financial statements of the Village of Bellaire, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 15, 2009, 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-004 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe Finding Number 2008-004 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 15, 2009.

### **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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 15, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

May 15, 2009

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

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

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

**Then and Now Certificate** - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Village 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.

**Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account 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.

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

No obligations paid by the Village had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, and free from any previous encumbrance. Purchase orders contained the certification language; however, they were not printed or signed by the Village Clerk/ Treasurer.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2008-001 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

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

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

**Officials' Response:** The Village of Bellaire's finance committee have begun to sign off on all invoices. They will also enforce the requisition and purchase order system. Letters will be sent reinforcing proper purchase order compliance to all department heads.

**FINDING NUMBER 2008-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2008, the Village had expenditures exceeding appropriations in the following funds:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Fire Levy	\$73,912	\$74,277	(\$365)
State Law Enforcement	12,943	13,212	(269)
Indigent Driver	441	4,408	(3,967)
Commerce Park	76,475	80,121	(3,646)
Sanitation	500,055	511,980	(11,925)
Sewer	52,095	60,591	(8,496)

The Village's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend Village Council and the Village Clerk/Treasurer compare expenditures to appropriations at the legal level of control, which is at the fund, function, and object level, on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Village Clerk/Treasurer should deny requests for payment when appropriations are not available. We recommend the Village monitor all expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts.

VILLAGE OF BELLAIRE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008  
(Continued)

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

FINDING NUMBER 2008-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

**Officials' Response:** We will take necessary steps to have council adopt additional appropriations to alleviate this finding in the future.

FINDING NUMBER 2008-003

Noncompliance Citation

Bellaire Codified Ordinance Section 923.42 (1986) states that meters will be read quarterly, except for major users which may be read monthly.

9.6% of residential utility customer water billings tested were based upon estimated rather than actual usage for more than one quarter. 50% of commercial utility customer water billings tested were based upon estimated rather than actual usage for more than one month. This indicates the customer does not have a meter installed, the meter is not functioning, the meter wasn't read, or there is a problem with the water billing software program.

We recommend all customer meters be read, at least quarterly, and all major users be read monthly. We recommend utility department personnel at least quarterly investigate any customer's account that has not received a bill based upon an actual reading. We further recommend the Village consider adopting new legislation requiring all customers' meters to be read monthly, weather permitting, after meter installations have curtailed.

**Officials' Response:** We did not receive a response from Officials to this finding.

FINDING NUMBER 2008-004

Material Weakness

Ohio Admin. Code Section 117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices.

The commercial utility customer accounts tested in the 2007 audit reflected changes in estimated water usage, changes in placement on the water billing rate chart, and/or changes in placement on the sanitation billing rate chart when compared to similar information in 2006. No evidence was provided by the Utility Department to verify these changes were approved by the Village Administrator and/or the Village Council Utility Committee. As a result of not having all utility customer master file account changes approved, customers may not be billed in accordance with Village officials' intentions.

Of the 25 commercial accounts tested in the 2007 audit, we calculated possible lost water and sanitation revenues in the amount of \$12,459 and \$19,251, respectively, due to the unauthorized changes in these accounts billing methodology.

VILLAGE OF BELLAIRE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008  
(Continued)

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

FINDING NUMBER 2008-004 (Continued)

**Material Weakness - Ohio Admin. Code Section 117-2-01(A) (Continued)**

Also, ordinances establishing the rates charged Village utility customers for water, sewer and sanitation services could not be readily located. Furthermore, the rate structure charts for water, sewer and sanitation included unexplained and/or unused codes and corresponding charges. As a result of not having utility rates formally adopted by Village Council, questions could arise as to the legality of these charges, rates being charged may not be in accordance with Village Council's intent and customers may be charged inaccurate amounts as discussed in the preceding two paragraphs above.

We recommend all changes to utility customer master file information be approved by the Village Administrator and/or the Village Council Utility Committee prior to implementing changes or within a reasonable time period thereafter. We also recommend Village Council adopt ordinances establishing formal rate structures for utility services provided to their customers. Village Council should review the rates currently being charged to determine that accurate amounts are charged based upon the services provided and necessary operating expenses to provide these services.

To date the Village has made no progress in collecting these possible lost water and sanitation revenues from commercial accounts. The Village hired a consultant to perform a utility rate study. On the commercial water accounts, the Village Administrator is waiting on Village Council to approve the changes to the rate codes and allow the back billing to take place. The sanitation rate study is not complete as of the date of this report.

If the Village fails to pursue the matter of the under billed utility accounts, there could be findings for recovery issued against Village officials for monies due but not collected in the next audit.

**Officials' Response:** On December 30, 2008 the Village passed Ordinance 2008-19, establishing codes and water rates.



**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Rev. Code Section 5705.41(D)(1) regarding not certifying the availability of funds prior to incurring an obligation.	No	Not Corrected; Reissued as Finding No. 2008-001.
2007-002	Ohio Rev. Code Section 5705.41(B) regarding funds with expenditures exceeding appropriations.	No	Not Corrected; Reissued as Finding No. 2008-002.
2007-003	Bellaire Codified Ordinance Section 923.42 regarding reading of water meters.	No	Not Corrected; Reissued as Finding No. 2008-003.
2007-004	Material Weakness regarding changes to commercial utility customer accounts without approval and nonexistent or unclear utility rate ordinances.	No	Partially Corrected; Reissued as Finding No. 2008-004. Water rate Ordinance 2008-19 passed on December 30, 2008 for 2009 charges.
2007-005	Material Weakness regarding no high / low billing report run.	No	Partially Corrected; Reissued in the management letter.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BELLAIRE**

**BELMONT 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 18, 2009**