

Village of Bellaire
Belmont County, Ohio
Audited Financial Statements

For the Year Ended
December 31, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Bellaire, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

During the period January 1, 2011 through April 6, 2012 (Period), Lisa Flaherty served as utility clerk for the Village of Bellaire (Village) and was responsible for collecting payments from customers, posting payments to customer accounts and preparing deposits to the Village utility bank account. Ms. Flaherty was also responsible for transferring utility collection revenue from the utility bank account to the Village general account. When making the transfers, Ms. Flaherty reported the monthly collection totals to the Village Clerk's Office.

While performing an audit of the Village utility department, auditors from Rea & Associates (Rea) found instances where utility collection bank deposits did not match amounts posted to the department's computer system. Rea examined collections and deposits for the Period and determined that \$18,125 of collections posted to the system were not deposited to the Village's utility bank account.

Rea performed a comparison of collections per the utility computer system to monthly collection totals reported to the Village Clerk's Office. Rea noted variances between the amounts and determined the totals reported to the Clerk's Office were not based on the computer system. Ms. Flaherty had prepared spreadsheets to report the monthly collection totals that matched the utility bank deposits, but did not match the amounts posted to the computer system.

After discovering the variances, Rea examined all individual batches of collections posted to the computer system and compared the batches to deposits. Rea obtained comprehensive spreadsheets from the Village's computer system vendor containing all postings to the utility computer system for the Period. Using bank statements, Rea compared batch posting totals to bank deposits and determined that not all batches were deposited to the bank.

For any variances between the computer batch postings and bank deposits, Rea traced the differences to identify the effected customer accounts by looking for postings that equaled the alleged shortages. Rea identified 61 shortages totaling \$10,835 in 2011 and 26 shortages totaling \$7,290 in 2012. Of these amounts, three postings totaling \$333 were to Lisa Flaherty's personal utility account.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued in the amount of \$18,125 against Lisa Flaherty, in favor of the Village of Bellaire.

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 Auditor's 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 Auditor's 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 Bellaire is responsible for compliance with these laws and regulations.



Dave Yost
Auditor of State

December 2, 2012

**Village of Bellaire
Belmont County
For the Year Ended December 31, 2011**

Table of Contents

TITLE	PAGE
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2011.....	4
Notes to the Financial Statements.....	5-20
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards	21-22
Schedule of Findings and Responses.....	23-28
Schedule of Prior Audit Findings.....	29

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July 25, 2012

To the Honorable Mayor and Village Council
Village of Bellaire
3197 Belmont Street
Bellaire, Ohio 43906

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Bellaire, Belmont County, (the Village) as of and for the year ended December 31, 2011, as listed in the table of contents. 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 audits.

We conducted our audits 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 audits provide 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.

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.

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, 2011 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, 2011 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 as of December 31, 2011 for the Village of Bellaire, Belmont County, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Bellaire adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, 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* and should be considered in assessing the results of our audit.

Rea & Associates, Inc.

Village of Bellaire
Belmont County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental Fund Types
For The Year Ended December 31, 2011

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Income Taxes	\$ 699,372	\$ 0	\$ 0	\$ 699,372
Property Taxes	74,024	42,186	0	116,210
Charges for Services	147,065	21,132	0	168,197
Fines, Licenses and Permits	76,468	610	0	77,078
Intergovernmental	279,140	323,920	0	603,060
Interest	23,849	1,137	0	24,986
Rent	0	0	36,734	36,734
Contributions and Donations	404	750	0	1,154
Other	56,548	7,921	0	64,469
<i>Total Cash Receipts</i>	<u>1,356,870</u>	<u>397,656</u>	<u>36,734</u>	<u>1,791,260</u>
Cash Disbursements:				
Current:				
General Government	497,971	875	0	498,846
Security of Persons and Property	756,255	3,951	0	760,206
Community Environment	0	3,159	0	3,159
Transportation	0	119,001	0	119,001
Debt Service:				
Principal Retirements	16,036	174,362	0	190,398
Interest and Fiscal Charges	562	34,065	0	34,627
<i>Total Cash Disbursements</i>	<u>1,270,824</u>	<u>335,413</u>	<u>0</u>	<u>1,606,237</u>
<i>Total Cash Receipts Over Cash Disbursements</i>	86,046	62,243	36,734	185,023
Other Financing Receipts				
Proceeds from Sale of Assets	23,301	4,588	0	27,889
<i>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements</i>	109,347	66,831	36,734	212,912
<i>Fund Cash Balance, January 1</i> <i>(Restated, See Note 2)</i>	<u>488,169</u>	<u>347,608</u>	<u>3,761</u>	<u>839,538</u>
Fund Cash Balances, December 31				
Nonspendable	13,645	0	0	13,645
Restricted	0	414,439	0	414,439
Committed	0	0	40,495	40,495
Assigned	497,747	0	0	497,747
Unassigned	86,124	0	0	86,124
<i>Fund Cash Balance, December 31</i>	<u>\$ 597,516</u>	<u>\$ 414,439</u>	<u>\$ 40,495</u>	<u>\$ 1,052,450</u>

See accompanying notes to the basic financial statements.

Village of Bellaire
Belmont County, Ohio
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, 2011

	Proprietary Fund Type		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 1,713,683	\$ 308,595	\$ 0	\$ 2,022,278
Operating Cash Disbursements:				
Personal Services	781,201	0	0	781,201
Contractual Services	461,401	0	0	461,401
Materials and Supplies	277,590	0	0	277,590
Claims	0	245,123	0	245,123
Purchased Services	0	131,474	0	131,474
Capital Outlay	89,067	0	0	89,067
<i>Total Operating Cash Disbursements</i>	<u>1,609,259</u>	<u>376,597</u>	<u>0</u>	<u>1,985,856</u>
<i>Operating Income (Loss)</i>	<u>104,424</u>	<u>(68,002)</u>	<u>0</u>	<u>36,422</u>
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	20,287	0	20,207	40,494
Property Taxes	13,243	0	0	13,243
Interest Earnings	0	405	0	405
<i>Total Non-Operating Cash Receipts</i>	<u>33,530</u>	<u>405</u>	<u>20,207</u>	<u>54,142</u>
Non-Operating Cash Disbursements:				
Other Non-Operating Disbursements	0	0	20,217	20,217
Principal Retirement	15,088	0	0	15,088
Interest and Fiscal Charges	13,406	0	0	13,406
<i>Total Non-Operating Cash Disbursements</i>	<u>28,494</u>	<u>0</u>	<u>20,217</u>	<u>48,711</u>
<i>Net Receipts Over Disbursements</i>	<u>109,460</u>	<u>(67,597)</u>	<u>(10)</u>	<u>41,853</u>
<i>Fund Cash Balance, January 1</i>	<u>792,465</u>	<u>124,836</u>	<u>85</u>	<u>917,386</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 901,925</u>	<u>\$ 57,239</u>	<u>\$ 75</u>	<u>\$ 959,239</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bellaire (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 2010 census population of 4,278. 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 Neff's 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. The Village also participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Notes 7 and 13 to the financial statements provides additional information for these entities. The Village also participates in a claims servicing pool, Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, which is presented in Note 14.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. However, the Village did not have any investments at the end of 2011.

D. Fund Accounting

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

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project fund:

Commerce Park Fund – This fund accounts for property rental fees charged to businesses located on Village owned property.

4. Enterprise Funds

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

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

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

5. Internal Service Fund

This fund accounts for services provided by one department to other departments of the governmental unit. The Village had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the financial activity of the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 budgetary activity appears in Note 4.

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” the Village classifies its fund balances based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Village.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

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

H. 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.

I. Changes in Accounting Principles

For the year ended December 31, 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the Village.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 2 – RESTATEMENT OF FUND BALANCES AND NET ASSETS

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the Village's governmental fund balances as previously reported:

	General	Special Revenue
Fund Balance Previously Reported at December 31, 2010	\$ 474,689	\$ 361,088
Fund Reclassification:		
Municipal Parking Lot fund	13,480	(13,480)
Restated Fund Balance at January 1, 2011	\$ 488,169	\$ 347,608

NOTE 3 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool for all funds use. The Ohio Revised Code prescribes allowable deposits. The Village has no investments. The carrying amount of deposits and investments at December 31, 2011 was as follows:

Demand deposits	\$1,954,225
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Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Cash on Hand: At year end, the Village had \$225 in undeposited cash on hand which is included as part of the Village's fund balances.

Cash with Fiscal Agent: The Village has \$57,239 representing internal service fund cash with fiscal agent (OME-RESA). All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2011, follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,326,854	\$ 1,380,171	\$ 53,317
Special Revenue	221,100	402,244	181,144
Capital Projects	24,000	36,734	12,734
Enterprise	1,912,320	1,747,213	(165,107)
Internal Service	0	309,000	309,000
Total	\$ 3,484,274	\$ 3,875,362	\$ 391,088

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,743,145	\$ 1,768,571	\$ (25,426)
Special Revenue	330,609	335,480	(4,871)
Capital Projects	0	0	0
Enterprise	1,912,900	2,102,745	(189,845)
Internal Service	0	376,597	(376,597)
Total	\$ 3,986,654	\$ 4,583,393	\$ (596,739)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Street, Litter Grant, Mayor's Computer, Water and Insurance Medical funds by \$25,426, \$912, \$3,159, \$875, \$195,138 and \$376,597, respectively for the year ended December 31, 2011.

NOTE 5 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 5 – PROPERTY TAX (Continued)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2010 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single village taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

NOTE 6 - 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 2011 were \$699,372 and proceeds were allocated to the Village's General Fund.

NOTE 7 - RISK MANAGEMENT

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

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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains Insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	2011	2010
Casualty Coverage and Property Coverage		
Assets	\$ 33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	\$ 19,175,131	\$20,631,198

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13.0 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$59,000.

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

Contributions to PEP	
2011	2010
\$ 62,810	\$ 55,673

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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.

NOTE 8 – SELF INSURANCE

The Village is also self insured for employee health insurance. The Self Insurance fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance fund cash and investments to the actuarially-measured liability as of December follows:

	<u>2011</u>
Cash and investments	\$ 57,239
Actuarial liabilities	19,226

NOTE 9 – RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (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 2011, 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 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 9 – RETIREMENT SYSTEMS (Continued)

Three officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2011, employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal for 6.2 percent of participant's gross salaries.

NOTE 10 – DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
<u>Enterprise Fund Obligations</u>		
<i>General Obligation Bonds:</i>		
Sanitary Sewer Bond	\$ 260,000	5.00%
OWDA Loan	192,440	0.00%
<i>Total Enterprise Fund Obligations</i>	452,440	
<u>Governmental Fund Obligations</u>		
Boat Launch Installment Note	2,590	4.90%
Line of Credit	0	5.00%
Police & Fire Pension	314,710	4.25%
<i>Capital Leases:</i>		
Fire Truck Lease	268,056	5.89%
<i>Total Governmental Fund Obligations</i>	585,356	
Grand Total	\$ 1,037,796	

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 10 – DEBT (Continued)

The Enterprise Fund obligations (general obligation bonds and OWDA loan) will be paid from revenues derived from charges for services in the enterprise funds. The Governmental Fund obligations will be paid as follows: The installment note will be paid with revenues from the General fund. The line of credit will be paid from the State Route 149 special revenue fund. The police and fire pension liability will be paid from property tax revenues from the Police Pension and Fire Pension Special Revenue Funds.

The capital lease obligation for the fire truck will be paid from the Fire Levy special revenue fund

The installment note is backed by the full faith and credit of the Village of Bellaire.

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

Year	Governmental Funds		Total
	Installment Note	Police and Fire Pension	
2012	\$ 2,590	\$ 21,330	\$ 23,920
2013	0	21,330	21,330
2014	0	21,330	21,330
2015	0	21,330	21,330
2016	0	21,330	21,330
2017-2021	0	106,648	106,648
2022-2026	0	106,648	106,648
2027-2031	0	106,648	106,648
2032-2036	0	73,693	73,693
	\$ 2,590	\$ 500,287	\$ 502,877

Year	Enterprise Funds	
	General Obligations Bonds	
2012	\$	23,000
2013		23,000
2014		23,075
2015		23,020
2016		23,040
2017-2021		115,310
2022-2026		115,505
2027-2029		46,250
	\$	392,200

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 10 – DEBT (Continued)

During 2009, the Ohio Water Development Authority (OWDA) approved a loan in the amount of \$973,291 to the Village for the Brooks Run Waterline Replacement project. Of this amount, \$644,000 in principal was forgiven through assistance from funding through the American Recovery and Reinvestment Act of 2009 (ARRA) which leaves \$329,291 to be the total amount financed by the Village. The Village will repay the 0% interest in semi-annual installments with the first payment due in 2011, with final payment due in 2041. As of December 31, 2011, \$192,440 is the total principal outstanding on this loan. There is no amortization schedule available for the OWDA loan, therefore it is not included in the amortization table above. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The waterline replacement project was completed in 2011.

During 2010, the Village received proceeds from a Line of Credit to fund work performed on the State Route 149 project. The amount advanced on the line of credit was \$126,394. This amount was repaid during 2011. The interest rate on the line of credit was 5 percent.

NOTE 11 - CAPITAL LEASES

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011.

Governmental	
Year	Fire Truck
2012	\$ 47,831
2013	47,831
2014	47,831
2015	47,831
2016	47,831
2017-2018	95,660
Total Minimum Lease Payments	334,815
Less: Amount representing interest	(66,759)
Present value of minimum lease payments	\$ 268,056

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 12 – OTHER LIABILITIES

During 2008, the Village entered into a contract with the Ohio Department of Transportation (ODOT) to provide for payment in the amount of \$200,000 which is a portion of the cost of the relocation of State Route 149. The Village pledges its rights, title and interest in the Village's Motor Vehicle Gasoline Tax Revenues to ODOT. If the funds from Motor Vehicle Gasoline Tax Revenues are insufficient to make any required payment, the Village agrees to use its General Fund revenue. On September 24, 2007, the Village paid a \$1,500 deposit leaving the total amount pledged as \$198,500. This amount is to be paid over fifteen years and is interest free. The total amount outstanding on this pledge at December 31, 2011 was \$158,500.

<u>Year</u>	<u>Pledge to ODOT</u>
2012	\$ 10,000
2013	15,000
2014	15,000
2015	15,000
2016	15,000
2017-2021	75,000
2022-2027	13,500
	<hr/> <u>\$ 158,500</u>

NOTE 13 – 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 2011. 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. 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.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

- C. 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 2011, 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.
- 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. 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 2011, 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.

NOTE 14 – CLAIMS SERVICING POOL

Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan (OME-RESA) – The Village participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The Village of Bellaire paid \$9,681 to OME-RESA during 2011 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.

**VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 15 - FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Special Revenue Funds	Capital Projects	Total
Nonspendable for:				
Unclaimed Monies	\$ 13,645	\$ 0	\$ 0	\$ 13,645
Restricted for:				
Road Improvements	0	163,277	0	163,277
Parking Meter	0	45,997	0	45,997
Computer Improvements	0	4,243	0	4,243
Litter Cleanup Project	0	1,769	0	1,769
Fire Operations	0	38,068	0	38,068
Emergency Medical Services	0	94,337	0	94,337
Law Enforcement Programs	0	12,399	0	12,399
CHIP Programs	0	6,295	0	6,295
Community Development	0	19,893	0	19,893
Police and Fire Pension	0	28,061	0	28,061
Miscellaneous	0	100	0	100
	0	414,439	0	414,439
Committed for:				
Commerce Park	0	0	40,495	40,495
Assigned for:				
Encumbrances	497,747	0	0	497,747
Unassigned	86,124	0	0	86,124
<i>Total Fund Balance</i>	\$ 597,516	\$ 414,439	\$ 40,495	\$ 1,052,450

July 25, 2012

To the Honorable Mayor and Village Council
Village of Bellaire
3197 Belmont Street
Bellaire, Ohio 43906

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Village of Bellaire, Belmont County, (the Village) as of and for the year ended December 31, 2011, and have issued our report thereon dated July 25, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village implemented GASB 54 as referenced in Note 2. We conducted our audits 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

Management of the Village is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2011-002 through 2011-004 to be significant deficiencies.

Village of Bellaire
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-005 through 2011-008.

We noted certain matters that we reported to management of the Village in a separate letter dated July 25, 2012.

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

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

Rea & Associates, Inc.

VILLAGE OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

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

Material Weakness

Finding Number	2011-001
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Criteria:

Utility Office Collections - The Village's management has a responsibility to design and maintain internal control over financial reporting. Internal controls must exist over the Village's utility billing and collection system. Timely reconciliation and review should be completed by the appropriate personnel.

Condition:

The Village Mayor and Clerk informed our audit team at the beginning of our audit that they had concerns over shrinking utility revenues and conflicting utility collection reports they were reviewing. However, there was no evidence that timely reviews were completed by management or the Board of Public Affairs during 2011.

During testing of the Village utility billing and collection function, it was noted that the utility clerk was compiling a daily report of collections using Excel and turning that into the Village Clerks office along with the pay-in instead of printing out the daily/monthly report directly out of the computerized billing system. Testing further revealed that the utility collection amounts reported on the Excel spreadsheet did approximate the amounts deposited in the bank, however, were considerably less than collections posted into the utility billing system. There were missing batches in most cases causing the discrepancy. Also, numerous billing stubs were not maintained orderly.

Also, we found no evidence that adjustments to customer accounts were thoroughly reviewed and approved by the Board of Public Affairs.

Effect:

Approximately \$11,000 of utility revenues collected per utility billing system did not get deposited or paid into the Village. Additionally, approximately \$7,300 of utility revenues collected from January 1, 2012 through March 19, 2012 per utility billing system did not get deposited or paid into in Village.

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

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

Material Weakness (Continued)

Finding Number	2011-001 (Continued)
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Recommendation:

We recommend the Village utility billing office generate daily/monthly collection reports directly out of their computerized system and reconcile daily deposits to that report. A monthly meeting between the Village Clerk and the utility billing clerk should occur to reconcile the collections and pay-in to the Village.

We also recommend the Village monitor utility office daily operations. Assurances are needed that daily batches of billing stubs are maintained orderly, properly dated, signed off and accounted for equaling the daily collection report and deposit. Also, the daily adjustment report should be generated out of the system, reviewed and questioned or approved by someone other than utility billing office employees.

Official's Response: The utility department is undergoing restructuring. The Village will follow all recommendations.

Significant Deficiencies

Finding Number	2011-002
-----------------------	-----------------

Criteria:

Utility Office Operations - The Village's management has a responsibility to design and maintain internal control over financial reporting. Internal controls must exist over the Village's utility billing and collection system. Knowledge of operating system as well as the daily operating requirements should be understood by the appropriate personnel.

Condition:

The Village utility billing department staff has not had formal training on the system and/or the training on the requirements of their positions.

Effect:

The Village utility billing department staff does not know how to completely utilize the computerized system and do not know all the daily processes required to perform their duties as effective as they could.

Recommendation:

We recommend the Village consider creating a manual detailing the daily operating procedures. We also recommend the village provide formal training on the computerized billing system.

Official's Response: The Village staff is currently being trained by the software company.

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

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

Significant Deficiencies (Continued)

Finding Number	2011-003
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Criteria:

Village Computer Systems Backups - The Village's management has a responsibility to design and maintain internal control over financial reporting. A necessary step in internal control over financial reporting is to maintain and update all financial information.

Condition:

Village departments complete full tape backups on a regular basis; however, the tapes are stored on-site. The possibility exists that if a disaster were to occur; the Village could lose data and result in significant expenses.

Effect:

The Village could be days without information and/or being able to perform day to day activities without proper backup information.

Recommendation:

We recommend the Village take the backups to an off-site location in addition to performing restore tests of the tape backups to ensure operation effectiveness. Implementation of this will facilitate a timely return to working order and potentially save the Village significant dollars in the event of a disaster.

Official's Response: The Village back-ups will be stored offsite.

Finding Number	2011-004
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Criteria:

Bank Account Reconciliations - The Village's management has a responsibility to design and maintain internal controls over financial reporting. Internal controls must exist over the cash reconciliation process. Timely reconciliation and review should be completed by the appropriate personnel.

Condition:

The Village Clerk prepares monthly bank reconciliations for the general checking account and the department heads prepare monthly bank reconciliations for their accounts, however, there was no evidence of these reconciliations being reviewed or approved by anyone. Also, the Village utilizes a payroll clearing account and this account is not being reconciled.

Effect:

Not approving and not preparing reconciliations of bank accounts can allow for inaccurate ledger balances and increase the chances of error or fraud that otherwise could be detected in a timely manner.

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

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

Significant Deficiencies (Continued)

Finding Number	2011-004 (Continued)
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Recommendation:

We recommend every account held by the Village be reconciled monthly and reviewed and/or approved by the department head and/or Village Council. We also recommend the Village take steps to reconcile the payroll clearing account.

Official's Response: The Village will make attempts to reconcile the payroll account.

Material Non-Compliance

Finding Number	2011-005
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Criteria: Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated resources.

Condition: During the performance of audit procedures, we noted the General Fund had appropriations exceeding estimated resources by \$381,442.

Effect: Failure to monitor estimated resources and appropriations could result in the Village committing funds to be spent which are not available to spend.

Recommendation: We recommend the Village compare estimated resources to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to ensure compliance with the above requirements.

Official's Response: The Village will make every effort to monitor appropriations, including prior year appropriations.

Finding Number	2011-006
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Criteria: Ohio Rev. Code Section 5705.36 (A)(4) states 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.

Condition: During the performance of audit procedures, we noted actual resources in the General Fund were lower than appropriations by \$324,632.

Effect: Failure to monitor actual resources and appropriations could result in the Village committing funds to be spent which are not available to spend.

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

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

Material Non-Compliance (Continued)

Finding Number	2011-006 (Continued)
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Recommendation: We recommend the Village compare actual resources to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to ensure compliance with the above requirements.

Official's Response: The Village will make every effort to monitor appropriations, including prior year appropriations.

Finding Number	2011-007
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Criteria: Ohio Rev. Code Section 135.181(B) states that in lieu of the specific pledging requirements of Section 135.18, a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all its public deposits not otherwise secured, provided that at all times the total market value of the securities so pledged is at least equal to one hundred five per cent of its uninsured public deposits to be secured by the pooled securities.

Condition: During the performance of audit procedures, we noted the Village has an "Irrevocable Standby Letter of Credit" which is used as their collateral. However, this letter of credit is less than the Village's bank balance and the requirement of maintaining a market value of pledged securities at least equal to one hundred five percent of uninsured public deposits.

Effect: The Village does not have all of their monies insured in case of bank failure.

Recommendations: We recommend the Village monitor the depository's efforts to comply with the above requirements. If a depository is unable to comply, we recommend appropriate action to be taken by management and Village Council.

Official's Response: The Village will forward a letter to United Bank as of 7/26/12.

VILLAGE OF BELLAIRE
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

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

Material Non-Compliance (Continued)

Finding Number	2011-008
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Criteria: Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Condition: During the performance of audit procedures, we noted six funds where expenditures plus encumbrances exceeded appropriations. They were as follows: General Fund by \$25,426; Street Fund by \$912; Litter Grant Program by \$3,159; Mayor's Computer Fund by \$875; Water Fund by \$195,138 and Insurance-Medical Fund by \$376,597.

Effect: Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

Recommendation: We recommend the Village compare expenditures and encumbrances to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements.

Official's Response: The Village will monitor this closely.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	The Village Administrator was overpaid by an amount of \$10,252 from December 1, 2009 through April 15, 2010.	Yes	
2010-002	The Village is not properly certifying the availability of funds for expenditures. Purchase orders are created; however, they are not printed or signed by the Village Clerk/Treasurer.		Partially Corrected – moved to Management Letter
2010-003	The Village had expenditures exceeding appropriations at the legal level of control in 4 funds in 2010.		Partially Corrected – moved to Management Letter
2010-004	The Village is not accurately posting budgeted receipts, and any amendments made to them, to the accounting system.	Yes	

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Dave Yost • 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
DECEMBER 13, 2012