

CITY OF BELLAIRE



**AUDITED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 2001**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Mayor and Members of Council
City of Bellaire
3197 Belmont Street
Bellaire, Ohio 43906

We have reviewed the Independent Auditor's Report of the City of Bellaire, Belmont County, prepared by Rea & Associates, for the audit period January 1, 2001 to December 31, 2001. 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.

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 City of Bellaire is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 22, 2002

This Page is Intentionally Left Blank.

**CITY OF BELLAIRE
BELMONT COUNTY**

DECEMBER 31, 2001

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types and Expendable Trust Fund	6-7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Expendable Trust Fund.....	8-10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type	11
Combined Statement of Cash Flows - Proprietary Fund Type	12-13
Notes to the General Purpose Financial Statements.....	14-42
Schedule of Expenditures of Federal Awards.....	43
Notes to Schedule of Expenditures of Federal Awards	44
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	45-46
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	47-48
Schedule of Findings.....	49-54
Schedule of Prior Audit Findings	55-57
Corrective Action Plan	58-59

This Page is Intentionally Left Blank.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 5, 2002

Mayor and Members of Council
City of Bellaire
Bellaire, OH 43906

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the City of Bellaire, Belmont County, Ohio (the "City") as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group or the fixed assets of the enterprise funds acquired prior to January 1, 1993, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group and the amount of fixed assets of the enterprise funds acquired prior to January 1, 1993 are not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Bellaire as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 5, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

CITY OF BELLAIRE

Combined Balance Sheet
All Fund Types and Account Groups

For the Year Ended December 31, 2001

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
<u>Assets</u>			
Equity in Pooled Cash and and Cash Equivalents	\$ 215,101	\$ 310,729	\$ 50,536
Cash and Cash Equivalents:			
In Segregated Accounts	56,006	4,430	0
Investments in Segregated Accounts	0	3,545	0
Receivables:			
Property Taxes	114,251	62,410	0
Income Taxes	135,687	0	0
Accounts	50,665	30,582	0
Intergovernmental	315,685	578,799	0
Loans	0	20,724	0
Leases	0	0	11,715
Accrued Interest	0	142	0
Prepaid Items	2,495	829	0
Materials and Supplies Inventory	4,080	3,836	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Trustees	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<u>Other Debits</u>			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
Total Assets and Other Debits	\$ 893,970	\$ 1,016,026	\$ 62,251

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Group	
Enterprise	Trust and Agency	General Long-Term Obligations	Totals (Memorandum Only)
\$ 265,424	\$ 0	\$ 0	\$ 841,790
95,338	1,427	0	157,201
0	18,621	0	22,166
0	0	0	176,661
0	0	0	135,687
228,064	6,390	0	315,701
0	0	0	894,484
0	0	0	20,724
0	0	0	11,715
0	872	0	1,014
9,282	0	0	12,606
8,253	0	0	16,169
38,223	0	0	38,223
197,082	0	0	197,082
1,021,202	0	0	1,021,202
0	0	768,556	768,556
\$ 1,862,868	\$ 27,310	\$ 768,556	\$ 4,630,981

CITY OF BELLAIRE

Combined Balance Sheet
All Fund Types and Account Groups

For the Year Ended December 31, 2001

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
LIABILITIES AND FUND EQUITY			
<u>Liabilities</u>			
Accounts Payable	\$ 3,984	\$ 1,395	\$ 0
Accrued Wages	33,085	3,207	0
Compensated Absences Payable	31,048	2,349	0
Intergovernmental Payable	5,303	927	0
Deferred Revenue	302,433	649,994	11,715
Undistributed Monies	0	0	0
Notes Payable	0	0	0
Claims and Judgements Payable	0	0	0
Payable from Restricted Assets:			
Customer Deposits	0	0	0
Revenue Bonds Payable	0	0	0
Capital Leases Payable	0	0	0
Police and Fire Pension Liability	0	0	0
Revenue Bonds Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Total Liabilities	375,853	657,872	11,715
Fund Equity and Other Credits			
Contributed Capital	0	0	0
Retained Earnings:			
Reserved for Debt Service	0	0	0
Reserved for Replacement and Improvement	0	0	0
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	52,666	2,937	0
Reserved for Claimants	9,911	0	0
Reserved for Inventory	4,080	3,836	0
Reserved for Loans Receivable	0	20,724	0
Unreserved, Undesignated	451,460	330,657	50,536
Total Fund Equity (Deficit) and Other Credits	518,117	358,154	50,536
Total Liabilities, Fund Equity and Other Credits	\$ 893,970	\$ 1,016,026	\$ 62,251

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Enterprise	Trust and Agency	General Long-Term Obligations	
\$ 20,044	\$ 0	\$ 0	\$ 25,423
13,747	0	0	50,039
22,857	0	53,375	109,629
21,658	0	54,442	82,330
0	0	0	964,142
0	7,817	0	7,817
70,607	0	184,490	255,097
33,000	0	0	33,000
38,123	0	0	38,123
80,000	0	0	80,000
0	0	97,281	97,281
0	0	378,968	378,968
880,000	0	0	880,000
337,700	0	0	337,700
1,517,736	7,817	768,556	3,339,549
513,687	0	0	513,687
124,711	0	0	124,711
72,311	0	0	72,311
(365,577)	0	0	(365,577)
0	0	0	55,603
0	0	0	9,911
0	0	0	7,916
0	0	0	20,724
0	19,493	0	852,146
345,132	19,493	0	1,291,432
\$ 1,862,868	\$ 27,310	\$ 768,556	\$ 4,630,981

CITY OF BELLAIRE

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Fund

For the Year Ended December 31, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues			
Income Taxes	\$ 636,511	\$ 0	\$ 0
Property and Other Taxes	74,942	44,349	0
Charges for Services	236,697	3,856	0
Fines, Licenses and Permits	79,810	30,688	0
Intergovernmental	479,709	621,209	120,738
Interest	26,451	1,528	0
Rent	0	0	29,114
Other	54,387	9,670	0
Total Revenues	1,588,507	711,300	149,852
Expenditures			
Current:			
General Government	486,188	0	0
Security of Persons and Property	933,710	25,754	0
Public Health Services	5,723	5,934	0
Transportation	0	361,073	120,738
Community Environment	14,585	380,671	345
Leisure Time Activities	26,872	0	0
Capital Outlay	25,668	0	0
Debt Service:			
Principal Retirement	40,076	13,853	15,000
Interest and Fiscal Charges	19,603	10,252	8,599
Total Expenditures	1,552,425	797,537	144,682
Excess of Revenues Over (Under) Expenditures	36,082	(86,237)	5,170
Other Financing Sources			
Proceeds from Inception of Capital Lease	25,668	0	0
Total Other Financing Sources	25,668	0	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	61,750	(86,237)	5,170
Fund Balances at Beginning Of Year-Restated	456,367	444,391	45,366
Fund Balance at End of Year	\$ 518,117	\$ 358,154	\$ 50,536

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ 0	\$ 636,511
0	119,291
0	240,553
0	110,498
0	1,221,656
254	28,233
0	29,114
0	64,057
254	2,449,913
0	486,188
0	959,464
0	11,657
0	481,811
0	395,601
0	26,872
0	25,668
0	68,929
0	38,454
0	2,494,644
254	(44,731)
0	25,668
0	25,668
254	(19,063)
19,239	965,363
\$ 19,493	\$ 946,300

CITY OF BELLAIRE

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Fund

For the Year Ended December 31, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Income Taxes	\$ 540,000	\$ 597,679	\$ 57,679
Property and Other Taxes	72,000	74,942	2,942
Charges for Services	224,274	237,104	12,830
Fines, Licenses, and Permits	56,400	61,369	4,969
Intergovernmental	322,026	393,047	71,021
Interest	24,424	26,451	2,027
Rent	0	0	0
Other	5,000	53,887	48,887
Total Revenues	1,244,124	1,444,479	200,355
Expenditures:			
Current:			
General Government	487,633	507,297	(19,664)
Security of Persons and Property	979,537	963,409	16,128
Public Health Services	6,597	6,596	1
Transportation	0	0	0
Community Environment	16,325	15,345	980
Leisure Time Activities	26,872	26,872	0
Debt Service:			
Principal Retirement	40,076	40,076	0
Interest and Fiscal Charges	19,603	19,603	0
Total Expenditures	1,576,643	1,579,198	(2,555)
Excess of Revenue Over (Under Expenditures)	(332,519)	(134,719)	197,800
Other Financing Sources (Uses):			
Proceeds from Loans	0	0	0
Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(332,519)	(134,719)	197,800
Fund Balance at Beginning of Year-Restated	307,380	307,380	0
Prior Year's Encumbrances Appropriated	24,169	24,169	0
Fund Balances at End of Year	\$ (970)	\$ 196,830	\$ 197,800

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
44,200	44,349	149	0	0	0	0	0	0
0	2,200	2,200	0	0	0	0	0	0
5,100	30,688	25,588	0	0	0	0	0	0
453,800	669,304	215,504	0	120,738	120,738	0	0	0
0	1,386	1,386	0	0	0	0	0	0
0	0	0	0	29,114	29,114	0	0	0
0	9,670	9,670	0	0	0	0	0	0
503,100	757,597	254,497	0	149,852	149,852	0	0	0
0	0	0	0	0	0	0	0	0
37,258	39,212	(1,954)	0	0	0	0	0	0
6,155	6,154	1	0	0	0	0	0	0
343,456	361,558	(18,102)	0	120,738	(120,738)	0	0	0
343,793	380,671	(36,878)	15	345	(330)	0	0	0
0	0	0	0	0	0	0	0	0
13,853	241,935	(228,082)	15,000	15,000	0	0	0	0
8,209	10,252	(2,043)	8,599	8,599	0	0	0	0
752,724	1,039,782	(287,058)	23,614	144,682	(121,068)	0	0	0
(249,624)	(282,185)	(32,561)	(23,614)	5,170	28,784	0	0	0
0	173,992	173,992	0	0	0	0	0	0
0	173,992	173,992	0	0	0	0	0	0
(249,624)	(108,193)	141,431	(23,614)	5,170	28,784	0	0	0
265,904	435,095	(169,191)	34,618	34,618	0	18,621	18,621	0
1,750	1,750	0	0	0	0	0	0	0
\$ 18,030	\$ 328,652	\$ (27,760)	\$ 11,004	\$ 39,788	\$ 28,784	\$ 18,621	\$ 18,621	\$ 0

CITY OF BELLAIRE

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust (Continued)

For the Year Ended December 31, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Income Taxes	\$ 540,000	\$ 597,679	\$ 57,679
Property and Other Taxes	116,200	119,291	3,091
Charges for Services	224,274	239,304	15,030
Fines, Licenses, and Permits	61,500	92,057	30,557
Intergovernmental	775,826	1,183,089	407,263
Interest	24,424	27,837	3,413
Rent	0	29,114	29,114
Other	5,000	63,557	58,557
Total Revenues	1,747,224	2,351,928	604,704
Expenditures:			
Current:			
General Government	487,633	507,297	(19,664)
Security of Persons and Property	1,016,795	1,002,621	14,174
Public Health Services	12,752	12,750	2
Transportation	343,456	482,296	(138,840)
Community Environment	360,133	396,361	(36,228)
Leisure Time Activities	26,872	26,872	0
Debt Service:			
Principal Retirement	68,929	297,011	(228,082)
Interest and Fiscal Charges	36,411	38,454	(2,043)
Total Expenditures	2,352,981	2,763,662	(410,681)
Excess of Revenue Over (Under Expenditures)	(605,757)	(411,734)	194,023
Other Financing Sources (Uses):			
Proceeds from Loans	0	173,992	173,992
Other Financing Sources (Uses)	0	173,992	173,992
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(605,757)	(237,742)	368,015
Fund Balance at Beginning of Year-Restated	626,523	795,714	169,191
Prior Year's Encumbrances Appropriated	25,919	25,919	0
Fund Balances at End of Year	\$ 46,685	\$ 583,891	\$ 537,206

The accompanying notes are an integral part of these financial statements.

CITY OF BELLAIRE

Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
Proprietary Fund Type

For the Year Ended December 31, 2001

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Revenue	
Charges for Services	\$ 1,447,869
Other	17,846
Total Operating Revenues	<u>1,465,715</u>
Operating Expenses	
Personal Services	513,807
Contractual Service	380,706
Materials and Supplies	165,055
Depreciation	82,474
Total Operating Expenses	<u>1,142,042</u>
Operating Income	<u>323,673</u>
Non-Operating Revenues (Expenses):	
Intergovernmental	18,861
Interest	9,804
Interest and Fiscal Charges	(90,650)
Total Non-Operating Revenues (Expense)	<u>(61,985)</u>
Net Income	261,688
Retained Earnings at Beginning of Year	<u>(430,243)</u>
Retained Earnings at End of Year	(168,555)
Contributed Capital at Beginning of Year	<u>513,687</u>
Contributed Capital at End of Year	<u>513,687</u>
Fund Equity at Year of End	<u>\$ 345,132</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELLAIRE

Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2001

	<u>Enterprise</u>
INCREASE IN CASH AND CASH EQUIVALENTS:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 1,411,203
Other Cash Receipts	20,870
Cash Payments for Employee Services and Benefits	(501,630)
Cash Payments to Suppliers for Goods and Services	(393,110)
Cash Payments for Contractual Services	(161,291)
Cash Payments for Claims and Judgements	(32,500)
Other Cash Payments	(8,919)
	<hr/>
Net Cash Provided by Operating Activities	334,623
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>	
Intergovernmental Receipts	18,861
	<hr/>
Net Cash Provided by Non-Capital and Related Financing Activities	18,861
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Principal Paid on Mortgage Revenue Bonds	(85,900)
Interest & Fiscal Charges Paid on Mortgage Revenue Bonds	(81,838)
Principal Paid on Notes	(19,183)
Interest Paid on Notes	(4,405)
Principal Paid on General Obligation Bonds	(14,732)
Interest Paid on General Obligation Bonds	(1,275)
Principal Paid on Capital Lease	(10,732)
Interest Paid on Capital Lease	(632)
Receipt by Mortgage Revenue Bond Sinking Fund Trustee	7,200
Payments to Mortgage Revenue Bond Sinking Fund Trustee	(7,200)
	<hr/>
Net Cash (Used) in Capital and Related Financing Activities	(218,697)

CITY OF BELLAIRE

Combined Statement of Cash Flows
 Proprietary Fund Type (Continued)
 For the Year Ended December 31, 2001

	<u>Enterprise</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Receipts	\$ 9,804
Interest and Fiscal Charges	<u>(2,500)</u>
Net Cash Provided by Investing Activities	<u>7,304</u>
Net Increase in Cash and Cash Equivalents	142,091
Cash and Cash Equivalents at Beginning of Year	<u>453,976</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 596,067</u></u>
<u>Reconciliation of Operating Income to</u> <u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 323,673
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	82,474
(Increase) / Decrease in Current Assets:	
Receivables	(44,964)
Prepaid Items	(1,205)
Increase / (Decrease) in Current Liabilities:	
Accounts Payable	(7,435)
Accrued Wages	1,489
Compensated Absences Payable	7,041
Intergovernmental Payable	3,647
Customer Deposits Payable	2,403
Claims and Judgements Payable	<u>(32,500)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 334,623</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Bellaire (the City) 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 City is located in Belmont County, in Southeastern Ohio, on the Ohio River. Bellaire was incorporated as a village in 1860. The City was established as a statutory municipal corporation in 1873. Bellaire has a land area of 1.9 square miles and a 2000 census population of 4,892.

The City operates under a Mayor/Council form of government. Legislative power is vested in an eight-member Council, including the Council President, each elected for two-year terms. A Mayor is elected to a four-year term. The Mayor is the ceremonial head of the City. A Council president is elected at large by the voters, and serves as presiding officer of the Council. The Mayor appoints all department heads and public members of various boards and commissions. The City reverted back to a Village on January 1, 2002. Additional information is presented in Note 21.

A. Reporting Entity

The City utilizes the standards of the Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

The City provides various services including police and fire protection, emergency medical, health, planning, zoning, recreation (including parks), street maintenance and repair, water, sewer and sanitation services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The City is involved with the Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association (OMEGA), Jefferson-Belmont Joint Solid Waste Authority, Southeastern Ohio Narcotics Task Force (SENT), Bel-O-Mar Regional Council, and Belmont County Sewer Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its' operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account for financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

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).

Proprietary Fund Type:

Proprietary funds are used to account for the City's ongoing activities, which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - The enterprise funds are to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

Fiduciary Fund Type:

Fiduciary funds are used to account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments units, and/or other funds. The following is the City's fiduciary funds:

Expendable Trust Fund – These funds are accounted for and reported similarly to government funds.

Agency Fund – These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account group is used:

General Long-Term Obligations Account Group (GLTOAG) - This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner except that which is accounted for in proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to Generally Accepted Accounting Principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and Interpretations.

A. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its' measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, expendable trust funds, and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is forty-five days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: local government grants, gasoline tax, motor vehicle license tax, Homestead and rollback taxes, estate taxes, investment earnings, and charges for current services.

The City reports deferred revenues on its Combined Balance Sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2001, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Special assessments and delinquent demolition accounts have been recorded as receivables and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable and expenses are

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may be made only by resolution of the City Council.

Tax Budget:

Prior to July 15, the City Finance Director submits to the City Council a proposed operating budget for the year commencing the following January. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

Appropriations:

A temporary Appropriation Ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, object, and line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

C. Cash and Cash Equivalents:

Cash received by the City is pooled in a central bank account. Monies for all funds, except for the CDBG Fund, but including proprietary funds, are maintained in this account or temporarily used to purchase investments. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the Combined Balance Sheet. During 2001, investments were limited to certificates of deposit. These investments are stated at cost which approximates market. These investments are presented on the Combined Balance Sheet as "Investments in Segregated Accounts". Investment procedures are restricted by the provisions of the Ohio Revised Code.

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury. The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the Combined Balance Sheet as "Restricted Assets: Cash and Cash Equivalents with Trustees" for deposits of short-term investments in certificates of deposit. See Note 6, Deposits and Investments.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with an original maturity of three months or less and investments from

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months are considered to be investments.

D. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Inventory:

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

F. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed. At December 31, 2001 the City had prepaid insurance that is reflected on the Combined Balance Sheet.

G. Fixed Assets and Depreciation:

The City has been unable to determine the historical or estimated historical cost of its fixed assets; therefore, complete fixed asset information has not been presented. The only items presented as fixed assets are those items charged as capital outlay in the enterprise funds since January 1, 1993. Depreciation of fixed assets in the proprietary funds is computed using the straight-line method over an estimated useful life of five years for equipment and vehicles and twenty years for improvements.

H. Compensated Absences:

GASB Statement 16, Accounting for Compensated Absences, specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds the entire amount of compensated absences is reported as a fund liability.

I. Contributed Capital:

Contributed capital represents resources provided to the enterprise funds from other funds, other governments, and private sources that is not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end except for depreciation on assets acquired through federal and state grants, which is expensed and closed to retained earnings at year end.

Because the City had not prepared financial statements in accordance with generally accepted accounting principles prior to 1993, the exact amount of contributed capital at December 31, 1992 could not be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

J. Fund Equity:

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of materials and supplies, loans receivable and debt service. Undesignated fund balance indicates the portion of fund equity which is available for appropriation in future periods.

Reserves have been established in the enterprise funds for debt service to the extent necessary to satisfy bond indenture agreements that require the segregation of the money with a trustee.

K. Interfund Transactions:

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers or equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

L. Long-Term Obligations:

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be paid with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available financial resources. Payments made more than thirty-one days after year end are generally considered not to have been paid with current available resources. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Total Columns on General Purpose Financial Statements:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING PRINCIPLES

In prior years, note debt amounting to \$225,265 was erroneously reported as a Special Revenue Fund liability of the General Long-Term Obligations Account Group. Also, an ambulance lease liability amounting to \$84,921 was erroneously omitted from the General Long-Term Obligations Account Group. Also, income tax receivable/revenue amounting to \$41,618 was erroneously understated in the General Fund.

To report these adjustments and reclassifications, the beginning balances have been restated as follows:

~~Schedule of GAAP Basis Restated Fund Balances/Retained Earnings/Equity~~

	Previously Stated Balance <u>12/31/2000</u>	<u>Adjustments</u>	Restated Balance <u>01/01/2001</u>
General Fund	\$ 414,749	\$ 41,618	\$ 456,367
Special Revenue Funds	219,126	225,265	444,391
General Long-Term Obligations Account Group	(510,894)	(310,186)	(821,080)

In the prior year Capital Project Fund net "Actual" revenues and other sources over (under) expenditures was overstated by \$40,482 because \$40,482 of expenditures was erroneously not reported. Special Revenue Fund "Actual" year-end balance was understated by \$25,085 because of errors in the beginning balance and prior year's encumbrances appropriated.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

To report these adjustments, the beginning balances have been restated as follows:

~~Schedule of Restated Budget and Actual Fund Balances~~

	Previously Stated Balance <u>12/31/2000</u>	<u>Adjustments</u>	Restated Balance <u>01/01/2001</u>
Special Revenue Funds	\$ 410,010	\$ 25,085	\$ 435,095
Capital Projects Funds	75,100	(40,482)	34,618

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis), All Governmental Fund Types are presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 61,750	\$ (86,237)	\$ 5,170	\$ 254
Net adjustment for revenue accruals	(144,028)	46,297	0	(254)
Proceeds of Notes	0	173,992	0	0
Proceeds from inception of capital lease	25,668	0	0	
Net adjustments for expenditure accruals	(25,443)	(239,308)	0	0
Encumbrances	<u>(52,666)</u>	<u>(2,937)</u>	<u>0</u>	<u>0</u>
Budget basis	<u>\$ (134,719)</u>	<u>\$ (108,193)</u>	<u>\$ 5,170</u>	<u>\$ 0</u>

NOTE 5 – ACCOUNTABILITY AND LEGAL COMPLIANCE

A. Fund Deficits

The Sewer Enterprise Fund had deficit retained earnings as of December 31, 2001 in the amount of \$273,784, resulting from the City not presenting the fixed assets related to the general obligation bonds that were issued to finance the construction and improvement of fixed assets. This deficit will be reduced once the City presents fixed assets in accordance with generally accepted accounting principles. At that time, the City will also review the enterprise fund rate structures. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

B. Legal Compliance

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code.

General Fund	\$	2,555
<u>Special Revenue Funds:</u>		
Street Maintenance and Repair Fund		192
State Highway Fund		36,553
State Route 149 Fund		229,481
Parking Meter Fund		3,000
Drug Law Enforcement Fund		1,957
CDBG Fund		36,879
<u>Capital Project Funds:</u>		
Commerce Park Fund		330
Issue II Fund		120,738

The City intends to revise the appropriations ordinance during the year as needed in an effort to eliminate expenditures exceeding appropriations.

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City 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 City 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 the City has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be 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.

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:

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with 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 City, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

During fiscal year 2001, the City's investments were limited to certificates of deposit, money market funds, and overnight sweep accounts.

Deposits: At year-end, the carrying amount of the City's deposits was \$466,542, and the bank balance was \$556,602. Of the bank balance:

1. \$228,665 was covered by federal depository insurance.
2. \$327,937 was uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institution's trust department in the City's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments. GASB Statement No. 3, "Deposits with Financial Institutions (including Repurchase Agreements), and Revenue Repurchase Agreements," requires the City to categorize investments to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 789,920	\$ 789,920	\$ 789,920

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 1,234,296	\$ 22,166
Repurchase Agreement	(789,920)	789,920
Certificates of deposit with maturities of greater than three months	22,166	(22,166)
GASB Statement 3	\$ 466,542	\$ 789,920

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

As a result of Bond Indenture covenants, the City has reported "Restricted Assets: Cash and Cash Equivalents with Trustees" in the amount of \$197,082, which is included in the carrying amount of the City's deposits. These restricted assets reflect the amount of accumulated resources for principal and interest payments and for the repair and replacement of Water Fund assets that were originally acquired with mortgage revenue bond proceeds.

The City is reporting "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" in the amount of \$38,223 for water fund customer deposits payable, which is included in the carrying amount of the City's deposits.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 1999 on the assessed value as of January 1, 2000, the lien date, and were collected in 2001. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2001 attached as a lien on December 31, 1999, were levied after October 1, 2000 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 2001 tangible personal property taxes are levied after October 1, 2000, on the value listed as of December 31, 2000 and are collected in 2001. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2001 taxes were collected was \$32,779,920. Real estate represented 78% (\$24,154,330) of this total, tangible personal property represented 12% (\$3,870,930), and public utilities tangible personal property represented 10% (\$3,327,920). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2001 was \$5.60 per \$1,000 of assessed valuation.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2001. Total property tax collections for the next fiscal year are measurable amounts, however, since these tax collections will not be received during the available period nor are they intended to finance 2001 operations, the receivable is offset by a credit to deferred revenue.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2001 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, leases, and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

The special revenue funds reflect housing rehabilitation loans receivable of \$20,724. The housing rehabilitation loans receivable are for the principal owed to the City for Community Development Block Grants loaned to local low-income homeowners for home improvement. The loans were issued at rates varying from zero to 1.25% interest. They are to be repaid over periods ranging from five to twenty years.

A summary of intergovernmental receivables follows:

General Fund:	
Estate tax	\$ 136,924
Local government tax	<u>178,761</u>
Total General Fund	315,685
Special Revenue Funds:	
Permissive tax	10,055
Gasoline tax	42,138
Motor vehicle license tax and fees	18,999
Home Investment Partnership Grant	304,000
CHIP Grant	<u>203,607</u>
Total Special Revenue Funds	<u>578,799</u>
Total intergovernmental receivables	<u>\$ 894,484</u>

NOTE 9: INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City 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 City Council. In 2001 the proceeds were allocated to the General Fund. Income tax cash collections for 2001 was \$597,679.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 10 - FIXED ASSETS AND DEPRECIATION

Proprietary Fund fixed assets by major classes of fixed assets at December 31, 2001 for those assets that were acquired since January 1, 1993 are as follows:

Improvements other than Buildings	\$ 703,513
Equipment	705,154
Vehicles	<u>20,172</u>
	1,428,839
Accumulated Depreciation	<u>(407,637)</u>
Net Fixed Assets	<u>\$ 1,021,202</u>

NOTE 11 - RISK MANAGEMENT

The City is belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There was no reduction in insurance coverage from coverage in the prior year. Also, insurance was sufficient to cover settlements in 1999, 2000 and 2001.

Casualty Insurance

PEP retains property risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporations.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

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, 2000 (the latest information available):

<u>Casualty Coverage</u>	<u>2000</u>
Assets	\$ 17,112,129
Liabilities	<u>7,715,035</u>
Retained Earnings	<u>\$ 9,397,094</u>
 <u>Property Coverage</u>	
Assets	\$ 1,575,614
Liabilities	<u>281,561</u>
Retained Earnings	<u>\$ 1,294,053</u>

The City 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 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

All City employees, except non-administrative, full-time uniformed police officers and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations. For calendar year 2001 PERS instituted a temporary employer contribution rate rollback for state and local governments. The 2001 employer pension contribution for the City was 6.54% of covered payroll, reduced from 9.35% in 2000. The City's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$89,773, \$77,824 and \$93,113, respectively. The full amount has been contributed for 2000 and 1999. 72% has been contributed for 2001 with the remainder being reported as a fund liability.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

B. Ohio Police and Fire Pension Fund (OP&F)

The City of Bellaire contributes to the Ohio Police and Fire Pension Fund (the "Fund"), a cost sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The *OP&F* provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. *OP&F* issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Police and Fire Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10.0% of their annual covered salary to fund pension obligations and the City is required to contribute 12% for police officers and 16.75% for firefighters. For 2000, the City's contribution was 12.25% percent for police officers and 17% for firefighters. Contributions are authorized by state statute. The City's contributions to the *OP&F* for police and firefighters were \$61,933 and \$56,868 for the year ended December 31, 2001. The full amount has been contributed for 2000 and 1999 and 69% and 70%, respectively, has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2001, the unfunded liability of the City was \$378,968, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

NOTE 13: POSTEMPLOYMENT BENEFITS

A. *Public Employees Retirement System*

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 2001 employer contribution rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 13.55% of covered payroll: 4.30% was the portion that was used to fund health care.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75%, an annual increase in active employee total payroll of 4.75% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54% and 5.1% based on additional annual pay increases. Health care premiums were assumed to increase 4.75% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund post employment benefits were \$28,485. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund (OP&F)

The Ohio Police and Firemen's Disability and Pension Fund ("OP&F") provides post retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.5% of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund health care was 7.25%. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund post employment benefits were \$23,039 for police and \$17,174 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of participants eligible to receive health care benefits as of December 31, 2000 was 12,853 for police and 10,037 for firefighters.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to all union employees, as well as all non-union full-time employees, excluding elected officials. A life insurance policy in the amount of \$20,000 is received by the union employees, police and firemen.

The City contracts with a local Preferred Physician Organization for hospitalization insurance. The City pays 100% of the total monthly premiums of \$553.44 for family coverage and \$187.04 for individual coverage for all employees and elected officials. Premiums are paid from the same funds that pay the employees' salaries.

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Vacation leave benefits are carried over for police and firemen upon prior approval obtained from the department head; however, other City employees are allowed to carry over a maximum of two weeks. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, employees including police and firemen, are paid for a maximum of 400 hours of accumulated unused sick leave. As of December 31, 2001, the liability for unpaid compensated absences was \$109,629.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 14 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2001 consisted of the following:

	Restated Outstanding 12/31/2000	Additions	Reductions	Outstanding 12/31/2001
Enterprise Funds Obligations				
<i>Mortgage Revenue Bonds:</i>				
Water System - 5-6.875%	\$ 1,040,000	\$ 0	\$ (80,000)	\$ 960,000
<i>General Obligation Bonds:</i>				
Sanitary Sewer Bond - 5%	343,600	0	(5,900)	337,700
<i>Installment Notes:</i>				
Water Plant Improvement - 6.5%	78,006	0	(19,183)	58,823
Garbage Truck - 6.5%	26,516	0	(14,732)	11,784
<i>Claims and Judgments</i>	65,500	0	(32,500)	33,000
<i>Compensated Absences</i>	15,816	7,041	0	22,857
<i>Capital Leases</i>	10,732	0	(10,732)	0
Total Enterprise Fund Obligations	<u>1,580,170</u>	<u>7,041</u>	<u>(163,047)</u>	<u>1,424,164</u>
General Long-Term Obligations:				
<i>Installment Notes:</i>				
Fire Equipment - 6.50%	65,765	0	(13,853)	51,912
Ambulance - 6.50%	24,500	0	(11,922)	12,578
Downtown Revitalization - 6.69%	135,000	0	(15,000)	120,000
Total installment notes	<u>225,265</u>	<u>0</u>	<u>(40,775)</u>	<u>184,490</u>
Police & Fire Pension - 4.25%	384,030	0	(5,062)	378,968
Compensated Absences	72,833	0	(19,458)	53,375
Intergovernment Payable	44,247	10,195	0	54,442
Capital Lease Payable	94,705	25,668	(23,092)	97,281
Total General Long-Term Obligations	<u>821,080</u>	<u>35,863</u>	<u>(88,387)</u>	<u>768,556</u>
Grand Total	<u>\$ 2,401,250</u>	<u>\$ 42,904</u>	<u>\$ (251,434)</u>	<u>\$ 2,192,720</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

General obligation bonds, mortgage revenue bonds, and claims and judgments, 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. Compensated absences reported in the "compensated absences payable" account and pension contribution reported on the "intergovernmental payable" account will both be paid from the fund from which the employees' salaries are paid. The police and fire pension liability will be paid from property tax revenues in the General Fund and the Policy and Fire Pension Special Revenue Funds.

The City's overall legal debt margin was \$3,258,341 at December 31, 2001.

All installment notes are backed by the full faith and credit of the City of Bellaire.

NOTE 15 - SHORT-TERM OBLIGATIONS

Changes in note debt fund liabilities of the City during the year ended December 31, 2001 consisted of the following:

	<u>Outstanding 12/31/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2001</u>
Special Revenue Funds:				
Special Revenue Funds:				
State Highway Fund				
State Route 149 - 6.25%	<u>\$ 54,090</u>	<u>\$ 173,992</u>	<u>\$ (228,082)</u>	<u>\$ 0</u>

All the notes are backed by the full faith and credit of the City of Bellaire. The note liability is reflected in the fund which receives the proceeds and which will repay the debt.

These loans are a non-revolving line of credit in the amount of \$100,000 and \$350,000. The \$100,000 loan was repaid in 2001. The \$350,000 line of credit will mature on June 10, 2003. The unused line of credit at year end is \$221,918. Principal will be due at the close of the State Route 149 project.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

Year	Enterprise			Governmental Fund Types		Total
	General Obligation Bonds	Mortgage Revenue Bonds	Installment Notes	Installment Notes	Police and Fire Pension	
2002	\$ 23,085	\$ 143,463	\$ 35,565	\$ 53,600	\$ 21,330	\$ 277,043
2003	23,075	143,362	23,588	39,413	21,330	250,768
2004	23,050	142,963	17,548	38,440	21,330	243,331
2005	23,010	142,262	0	24,084	21,330	210,686
2006	23,055	141,138	0	18,649	21,330	204,172
2007-2011	115,350	561,256	0	50,108	106,649	833,363
2012-2016	115,135	0	0	0	106,648	221,783
2017-2021	115,310	0	0	0	106,649	221,959
2022-2026	115,505	0	0	0	106,648	222,153
2027-2031	46,250	0	0	0	106,649	152,899
2032-2035	0	0	0	0	73,693	73,693
	<u>\$ 622,825</u>	<u>\$ 1,274,444</u>	<u>\$ 76,701</u>	<u>\$ 224,294</u>	<u>\$ 713,586</u>	<u>\$ 2,911,850</u>

NOTE 16 - CAPITAL LEASES

In 2001 the City entered into three new leases for acquisitions of copiers. Also, in prior years, the City has entered into capitalized leases for a backhoe, copiers, and an ambulance. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the general purpose financial statements for the governmental funds.

Equipment acquired by lease is reflected as fixed assets in the enterprise funds in the amount of \$48,024, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the enterprise fund and is reduced for each principal payment. A liability of \$97,281 has also been reflected in the general long-term obligations account group for the governmental funds' capital leases.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

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, 2001:

<u>Year</u>	<u>Auditor's Copier</u>	<u>Mayor's Copier</u>	<u>Planning Department Copier</u>	<u>Police Department Copier</u>	<u>Fire Department Copier</u>	<u>Ambulance</u>	<u>Totals</u>
2002	\$ 2,183	\$ 1,954	\$ 1,161	\$ 2,073	\$ 1,098	\$ 19,933	\$ 28,402
2003	2,183	1,954	1,161	2,073	0	19,933	27,304
2004	2,183	1,954	346	2,073	0	19,933	26,489
2005	2,183	1,954	0	2,073	0	19,933	26,143
2006	<u>1,273</u>	<u>1,140</u>	<u>0</u>	<u>1,209</u>	<u>0</u>	<u>0</u>	<u>3,622</u>
Total payment requirements	10,005	8,956	2,668	9,501	1,098	79,732	111,960
Less: interest	<u>(1,611)</u>	<u>(1,436)</u>	<u>(236)</u>	<u>(1,528)</u>	<u>(31)</u>	<u>(9,837)</u>	<u>(14,679)</u>
Present value of minimum lease payments	<u>\$ 8,394</u>	<u>\$ 7,520</u>	<u>\$ 2,432</u>	<u>\$ 7,973</u>	<u>\$ 1,067</u>	<u>\$ 69,895</u>	<u>\$ 97,281</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise fund account for the provision of water, sanitation, and sewer services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Bellaire as of and for the year December 31, 2001:

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Sewer Fund</u>	<u>Total Funds</u>
Operating Revenues	\$ 911,345	\$ 506,525	\$ 47,845	\$ 1,465,715
Operating Expenses	(679,617)	(360,481)	(19,470)	(1,059,568)
Depreciation	(72,328)	(8,629)	(1,517)	(82,474)
Operating Income	159,400	137,415	26,858	323,673
Intergovernmental Revenue	0	0	18,861	18,861
Interest Income	9,804	0	0	9,804
Interest and Fiscal Charges	(71,879)	(1,275)	(17,496)	(90,650)
Net Income	97,325	136,140	28,223	261,688
Net Working Capital	378,997	201,894	36,219	617,110
Total Assets	1,470,429	326,575	65,864	1,862,868
Long-Term Liabilities to be				
Paid from Fund Revenues	947,539	14,141	331,500	1,293,180
Total Equity	372,038	246,878	(273,784)	345,132

NOTE 18 - 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 City did not contribute any amounts to the Authority during 2001. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has not outstanding debt for which the City of Bellaire is responsible.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

- 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. City membership is voluntary. The Mayor of the City of Bellaire serves as the City'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 2001, OMEGA received \$543 from the City of Bellaire for an annual fee. The continued existence of OMEGA is not dependent on the City'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 City of Bellaire is a member. The Authority is not dependent on the City of Bellaire for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.
- D. Southeastern Ohio Narcotics Task Force (SENT) is a multi jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe, and Tuscarawas counties. The Task Force is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25%. Of the 32 members of the board, the Police Chief of the City of Bellaire acts as the City's representative on the board. Each member's control over the operation of SENT is limited to its representation on the board, and the City does not maintain an equity interest. During 2001, the City made no contribution to the Task Force.
- E. 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 City of Bellaire serves as the City's representative on the board. The Council is not dependent upon the City of Bellaire for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2001, Bel-O-Mar Regional Council received annual fees of \$1,688.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

- F. Belmont County Sewer Authority 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 City of Bellaire for its continued existence and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

NOTE 19: OPERATING LEASE

The City has entered into a lease for land with Green Lance, Incorporated. Green Lance is a franchise of Burger King Corporation. The City receives semi-annual lease payments totaling 2% of Burger King's gross annual sales. During 2001, the City received lease payments totaling \$29,114. As of December 31, 2001, lease payments receivable totaled \$11,715. Due to the nature of the lease agreement, future lease payment amounts will vary based upon Burger King's gross annual sales.

NOTE 20 - CONTINGENCIES

A. Grants:

The City 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 term and conditions specified in the grant agreements and is 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 City at December 31, 2001.

B. Litigation:

The City of Bellaire is currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the City Law Director and outside legal counsel. The outcome and possible effects on the financial statements cannot be determined at this time.

In addition the City has been named as a responsible party in one case involving a landfill site no longer used by the City. The City entered into a settlement agreement dated December 31, 1997, under which the City of Bellaire is required to contribute to remediation costs for the Buckeye Reclamation Landfill. The total cost to the City was \$162,500, payable in annual installments of \$32,500. The remaining liability pertaining to this case as of December 31, 2001 is \$33,000.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 2001**

NOTE 21 – SUBSEQUENT EVENTS

The 2000 Census determined the population for the City of Bellaire dropped below the 5,000-population threshold required under Ohio law to remain as a City. In 2001, the City of Bellaire proceeded with the administrative process of changing their administrative structure to meet Village requirements effective January 1, 2002. The impact of this assessment change on future revenues, expenses and services has not been completed as of the date of this report.

Village officials were newly elected in the November 2001 general election and the new Village administration started on January 1, 2002. The Village will revert back to cash basis financial reporting instead of generally accepted accounting principles generally accepted in the United States of America starting the year ending December 31, 2002.

**CITY OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Award Amount</u>	<u>2001 Expenditures</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):				
(Passed through Ohio Department of Development): Community Development Block Grant	14.228	A-C-99-091-1	\$ 600,000	\$ 333,331
(Passed through Belmont County): Community Development Block Grant		B-F-99-007-01	48,000	<u>36,140</u>
Total CFDA #14.228				<u>369,471</u>
Total Housing and Urban Development Programs				369,471
US DEPARTMENT OF TRANSPORTATION:				
(Passed through Ohio Department of Transportation)				
Highway Planning and Construction	20.205	511970PE	443,390	<u>191,489</u>
Total Department of Transportation				<u>191,489</u>
Total Expenditures of Federal Awards				<u><u>\$ 560,960</u></u>

The notes to the Schedule of Expenditures of Federal Awards are an intergral part of this statement.

CITY OF BELLAIRE
BELMONT COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)
REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide low-interest loans to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of the money was recorded as a disbursement on the Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule.

These loans are collateralized by mortgages on the property. At December 31, 2001, the gross amount of loans outstanding under this program was \$20,724.

NOTE C: MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 5, 2002

Mayor and Members of Council
City of Bellaire
Bellaire, OH 43906

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

We have audited the general purpose financial statements of the City of Bellaire (the "City") as of and for the year ended December 31, 2001, and have issued our report thereon dated June 5, 2002, which was qualified due to the lack of sufficient evidence supporting the omission of the financial activities regarding general fixed asset account group and the fixed assets of the enterprise funds acquired prior to January 1, 1993. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2001-001 through 2001-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 5, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-004 to 2001-010.

City of Bellaire
Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards
June 5, 2002
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-004 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the city in a separate letter dated June 5, 2002.

This report is intended for the information and use of the Mayor, City Council, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 5, 2002

Mayor and Members of Council
City of Bellaire
Bellaire, OH 43906

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the City of Bellaire (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Bellaire complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the general purpose financial statements of the City of Bellaire as of and for the year ended December 31, 2001, and have issued our report thereon dated June 5, 2002, which was qualified due to the lack of sufficient evidence supporting the omission of the financial activities regarding general fixed asset account group and the fixed assets of the enterprise funds acquired prior to January 1, 1993. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information and use of the Mayor, City Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Qualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Community Development Block Grant Program CFDA # 14.228
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

Material Noncompliance

FINDING NUMBER	2001 – 001
----------------	------------

*Ohio Rev. Code Section 5705.09 state that each subdivision is to establish a special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

CITY OF BELLAIRE
 BELMONT COUNTY

SCHEDULE OF FINDINGS
 (CONTINUED)
 DECEMBER 31, 2001

The City received Ohio Public Works Commission-Issue II funding and did not record the activity on their accounting records, or establish a separate fund.

We recommend the City establish the above funds and record all activity associated with these monies on the City ledgers in accordance with Auditor of the State Bulletin #2002-004. The activities not recorded and correcting entries have been made to the general-purpose financial statements.

FINDING NUMBER	2001 – 002
----------------	------------

*Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. The following funds had expenditures exceeding appropriations:

General Fund	\$	2,555
<u>Special Revenue Funds:</u>		
Street Maintenance and Repair Fund		192
State Highway Fund		36,553
State Route 149 Fund		229,481
Parking Meter Fund		3,000
Drug Law Enforcement Fund		1,957
CDBG Fund		36,879
<u>Capital Projects Funds:</u>		
Commerce Park Fund		330
Issue II Fund		120,738

FINDING NUMBER	2001 – 003
----------------	------------

*Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 2001

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of council upon the completion of a "then and now" certificate, if such expenditure is otherwise valid.

The City did use purchase orders, however, all were obtained after funds were obligated and all were marked "Then & Now."

Material Control Weaknesses

FINDING NUMBER	2001 – 004
----------------	------------

* Expenditure Procedures

The City does not have formal policies and procedures established for the expenditure function. As a result we noted several instances of inconsistencies in the payments tested. There were several items where the invoice was either not attached or did not equal the amount of the check. Payments were made from vendor statements rather than the original invoices in several instances. In all 60 payments tested the Purchase Order was not attached to the voucher package. No evidence was attached indicating that the goods were received by the ordering department. There was no evidence attached that indicated the invoice was reviewed by anyone other than the person paying the bill. We also noted that late charges were being added to payments that were not made in a timely manner.

We recommend that the following procedure be implemented:

- The City should prepare an expenditure packages that includes the purchase order, original invoice, the packing slip, purchase requisition, and a copy of the check.
- The purchase order should be prepared prior to ordering the goods and include a certification statement indicating the money is available to pay for the item(s), and be signed and dated by the auditor.
- The original invoice and /or packing slip should be initialed and dated by the department head responsible for the purchase if the item(s) to document approval.
- The requisition form should include the fund and account number the department head wants to charge.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 2001

Reportable Conditions

FINDING NUMBER	2001 – 005
----------------	------------

*Accounting and Personnel Policies

The City has not established or indicated they had adopted policies, procedures, or job descriptions outside of the union contract. Elected officials and management should convey the message that integrity and ethical values of the City cannot be compromised and employees must receive and understand that message. Elected officials and management should continually demonstrate, through words and actions, a commitment to high ethical standards and proper working practices. By not establishing written accounting and personnel policies, improper procedures may be utilized, as well as, unethical or illegal activity could occur. In addition, other problems may arise (i.e. budget deficits, labor difficulties, etc.) which may be improperly handled because of an inadequate understanding of management's responsibilities and employee procedures.

We recommend the City adopt accounting policies, personnel policies, and job descriptions for City officials and employees which are not addressed by union contracts. This will establish procedural guidelines, help serve as a deterrent to possible unethical behavior by employees and officials and convey management's position regarding procedures and behavior.

The accounting policies will be a reference guide to ensure uniformity of accounting transactions, and also provide accounting guidance for new hires.

FINDING NUMBER	2001 – 006
----------------	------------

*Segregation of Duties

The City Auditor's office, Mayor's office, Income Tax office, and Utility Department office each have one employee performing all functions of the office, including receipting, depositing, reconciling, billing, and posting of applicable ledgers. City management provided very limited monitoring of these offices, however, some monitoring commenced over the Utility Department office.

We recommend the City establish monitoring controls that require management or an employee independent of the department to periodically review the procedures performed which lack segregation of duties.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 2001

FINDING NUMBER	2001 – 007
----------------	------------

* Financial Accountability

The City's service department supervisors do not receive a copy of ledgers reflecting the transactions posted to their departmental accounts. Department supervisors, therefore, do not review the transactions to gain assurance that items which should be credited and/or debited have been accurately posted nor are they kept aware of departmental budget balances.

We recommend the City establish procedures to have the department supervisors review their departmental ledgers on a monthly basis to gain assurances regarding the classification of the transactions posted and to be cognizant of their departmental budgets.

The City should also require each department supervisor attest (by signing/initialing) the review of these reports. Errors or questions should be presented to the finance office so they may be discussed and resolved timely. These reviews would give the City additional assurances over receipts and expenditures where limited staffing causes a lack of segregation in duties.

FINDING NUMBER	2001 – 008
----------------	------------

* Audit Committee

The City does not have an audit committee or a body that functions similarly to an audit committee. As a result, the audit findings have not been communicated beyond the statutory financial officer and audit findings from prior years have not been corrected.

We recommend the City establish an audit committee or its equivalent to review audit findings. Also, the committee could periodically review the implementation and employee adherence of City internal control procedures.

FINDING NUMBER	2001 – 009
----------------	------------

* Cost Allocation Plan

The City appropriated cost allocation expenditures for the Water, Sanitation, and Sewer Funds and made the payments as required to the General Fund. The City had a cost allocation plan prepared by a consulting firm in July 1998; however, there was no indication the City adopted the cost allocation plan in their minutes. Review of subsequent allocations for the year 2001 indicated that payments were made from the Water, Sewer and Sanitation, which differed from the amounts developed by the consulting firm's cost allocation plan for the City which totals \$80,000 per year. Council minutes, ordinances and resolutions were silent regarding the difference between plan requirements and amounts actually recorded.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 2001

As a result, costs could be assessed that would be unreasonable and charged to an incorrect fund and could lead to negative fund balances if not monitored properly.

We recommend the City adopt written procedures regarding how cost allocation expenditures will be paid from the City's funds. These written procedures should be approved in the minutes and updated annually based upon the prescribed methodology adopted. This will help ensure that cost allocation expenditures are reasonable and documented to substantiate the transactions incurred. Council should also make a motion to document their decision to forgive any underpayments in a given year or requiring the underpayments to be paid in the next fiscal year.

We also recommend the cost allocation plan be reviewed and updated each year to assure costs are reasonable and fairly allocated.

FINDING NUMBER	2001 – 010
----------------	------------

*Fund Cash Balance Reports

The City Auditor's computer generated cash fund balance reports do not agree with the manual report prepared and do not agree (immaterial amounts) with fund cash balances per audit.

We recommend the differences be investigated and accounting entries prepared and posted into the computer system. Bank balances should be reconciled to the computer system balance on a monthly basis.

* Also reported in the prior audit schedule of findings

CITY OF BELLAIRE

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-001	A noncompliance citation was issued under Ohio Rev. Code Section 5705.09 for failure to establish Issue II and CDBG funds.	No	Partially corrected; CDBG fund was created, however, activity was posted to the City's records in total for the year (no detail); The Issue II fund was not established and no activity was posted.
2000-002	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (B) for expenditures exceeding appropriations in various funds.	No	Not Corrected: Nine funds in violation In 2001.
2000-003	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) stating that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Not corrected; expenditures of money were still processed without prior certification from the fiscal officer that the necessary appropriations were available before the expenditure occurred.
2000-004	Expenditure procedures – Need to prepare complete expenditure packages; obtain prior certification; obtain supervisory signatures on the invoices indicating items received; use requisition forms.	No	Not corrected; the City has not taken steps toward correcting the expenditure function.

CITY OF BELLAIRE

SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-005	Accounting and personnel policies – Need to adopt accounting policies, personnel policies, job descriptions for non-union employees.	No	Not corrected; the City has taken no steps toward developing accounting policies, job descriptions and personnel policies.
2000-006	Segregation of Duties – The City Auditor’s office, Mayor’s office, Income Tax office, and Utility Department office each have one employee performing all functions of the office, including receipting, depositing, reconciling, billing, and posting of applicable ledgers. City management provided very limited monitoring of these offices.	No	Partially corrected; the City did not adopt procedures to provide oversight for the departments that currently have one employee.
2000-007	Financial accountability – Department supervisors should obtain and review financial ledgers pertaining to department on a monthly basis.	No	Partially corrected; Police, fire departments do review said ledgers; however, service departments do not.
2000-008	Audit Committee – The City has no Audit Committee to review and assure audit findings are properly addressed.	No	Not corrected; The City has not established an Audit Committee.
2000-009	Cost Allocation Plan – Cost Allocation Plan was not formally adopted by Council.	No	Not corrected; The City has not taken any formal action regarding this Cost Allocation Plan.

CITY OF BELLAIRE

SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-010	Cash accounts not recorded on financial records – Several department bank accounts were not posted to the City’s accounting records.	No	Not corrected; The City has not taken any formal action regarding this Cost Allocation Plan.
2000-011	The origin of the Fire Department Certificate of Deposit needs to be determined and posted in the City’s accounting records.	Yes	
2000-012	The City Auditor’s computer generated cash fund balance reports need adjusted and reconciled to the bank.	No	Partially Corrected: The required adjustments to the January 1, 2001 balances were made, however, the Auditor still utilizes a manual fund balance report to reconcile to the bank.
2000-013	Consumable Inventory – Inventory counts not taken at year end by several departments.	No	Finding No Longer Valid: The city did not take steps to assure consumable inventory counts are taken at the end of 2001, However, the inventory will no longer be needed since they will be reverting back to cash basis reporting starting in 2002.

CITY OF BELLAIRE
BELMONT COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED DECEMBER 31, 2001

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-001	The Village plans to create an Issue II Fund, Capital Projects Fund Type and to account for all grant activity within this fund, including budgetary information.	12/31/02	Thomas Sable, Village Clerk
2001-002	The Village plans to monitor and review budgetary information to ensure that expenditures plus encumbrances do not exceed appropriations.	12/31/02	Thomas Sable, Village Clerk
2001-003	The Village Clerk plans to implement procedures to ensure that purchase orders provide for the fiscal officer's certification of available funds and to ensure that funds be certified and encumbered prior to incurring obligations.	12/31/02	Thomas Sable, Village Clerk
2001-004	The Village Clerk plans to implement procedures to assure all payments for goods and services include a complete voucher package, including approvals by department heads.	12/31/02	Thomas Sable, Village Clerk
2001-005	The Village reverted to a Village effective January 1, 2002 and plans to review job descriptions and try to formalize them. Also, the Village Clerk plans to establish some formal accounting procedures for the Auditor's Office.	12/31/02	Thomas Sable, Village Clerk
2001-006	The Village plans to establish control procedures to ensure that oversight monitoring is performed for procedures performed by those departments with only one employee. A Board of Public Affairs has been created to oversee the Utility Billing & Collection Department and Operations.	12/31/02	Thomas Sable, Village Clerk
2001-007	The Village Clerk plans to give the Service Department copies of their respective appropriation ledger to review on a monthly basis.	12/31/02	Thomas Sable, Village Clerk

VILLAGE OF BELLAIRE
BELMONT COUNTY

CORRECTIVE ACTION PLAN (CONTINUED)
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED DECEMBER 31, 2001

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-008	The Village Clerk plans to address the need for an Audit Committee to the Mayor and Village Council in an effort to start the creation of an Audit Committee.	12/31/02	Thomas Sable, Village Clerk
2001-009	The Village Clerk plans to address with Village Council the requirement of them to adopt a formal cost allocation plan.	12/31/02	Thomas Sable, Village Clerk
2001-010	The Village Clerk plans on investigating the differences in some cash fund balances between the Village Clerk's computer balances vs. manual balances vs. audited balances and start utilizing the computer fund balance report to perform monthly bank reconciliations..	12/31/02	Thomas Sable, Village Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY 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
AUGUST 13, 2002**