



**Auditor of State  
Betty Montgomery**



VILLAGE OF BELLAIRE  
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings .....	25

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**Auditor of State  
Betty Montgomery**

Village of Bellaire  
Belmont County  
3197 Belmont Street  
Bellaire, Ohio 43906-1518

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

July 5, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Bellaire  
Belmont County  
3197 Belmont Street  
Bellaire, Ohio 43906-1518

To the Village Council:

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

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

As described more fully in Note 2, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bellaire, Belmont County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

As more fully described in Note 13 to the financial statements, the Village restated the beginning balance in the general and special revenue funds to record amounts previously reflected in an agency fund, to reflect cash-on-hand as a portion of fund balance, and to record a correction of an error. Additionally, the Village restated the beginning balance in the enterprise funds to record amounts previously reflected in an agency fund, to record cash on hand as a portion of fund balance, and to record enterprise debt service trust funds not previously recorded onto the Village's financial statements.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

July 5, 2006



VILLAGE OF BELLAIRE  
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Receipts:</b>					
Income Taxes	\$ 637,511	\$	\$	\$	\$ 637,511
Property and Other Taxes	94,581	139,058			233,639
Charges for Services	56,560	27,609			84,169
Fines, Licenses and Permits	47,839				47,839
Intergovernmental	325,380	345,295			670,675
Interest	6,010	2,281		1,626	9,917
Rent		200	27,482		27,682
Other	64,832	11,952			76,784
Total Receipts	1,232,713	526,395	27,482	1,626	1,788,216
<b>Disbursements:</b>					
Current:					
General Government	449,367				449,367
Security of Persons and Property	722,928	21,684			744,612
Public Health Services	6,026	5,894			11,920
Transportation		242,371			242,371
Community Environment	9,884	94,832	294		105,010
Leisure Time Activities	31,159				31,159
Capital Outlay	45,902	89,831		20,247	155,980
Debt Service:					
Principal Retirement		71,053	15,000		86,053
Interest and Fiscal Charges		48,745	5,111		53,856
Total Disbursements	1,265,266	574,410	20,405	20,247	1,880,328
Excess of Receipts Over (Under) Disbursements	(32,553)	(48,015)	7,077	(18,621)	(92,112)
<b>Other Financing Sources:</b>					
Proceeds of Bonds	15,510				15,510
Proceeds of Notes		45,174			45,174
Proceeds from Sale of Fixed Assets		32,000			32,000
Total Other Financing Sources	15,510	77,174			92,684
Excess of Receipts and Other Financing Sources Over (Under) Disbursements	(17,043)	29,159	7,077	(18,621)	572
Fund Cash Balances at Beginning Of Year - Restated (See Note 13)	115,645	464,231	70,199	18,621	668,696
<b>Fund Cash Balances at End of Year</b>	<b>\$ 98,602</b>	<b>\$ 493,390</b>	<b>\$ 77,276</b>	<b>\$ 0</b>	<b>\$ 669,268</b>

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

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Receipts:</b>			
Charges for Services	\$ 1,365,121	\$	\$ 1,365,121
Total Operating Receipts	<u>1,365,121</u>		<u>1,365,121</u>
<b>Operating Disbursements:</b>			
Personal Services	662,606		662,606
Contractual Service	349,898		349,898
Materials and Supplies	171,364		171,364
Capital Outlay	154,964		154,964
Total Operating Disbursements	<u>1,338,832</u>		<u>1,338,832</u>
Operating Income	<u>26,289</u>		<u>26,289</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Note Proceeds	23,100		23,100
Intergovernmental	15,314		15,314
Other non-operating revenues		26,721	26,721
Other non-operating disbursements	(1,205)	(28,490)	(29,695)
Interest	6,082		6,082
Principal Retirement	(122,017)		(122,017)
Interest and Fiscal Charges	(60,353)		(60,353)
Total Non-Operating Receipts (Disbursements)	<u>(139,079)</u>	<u>(1,769)</u>	<u>(140,848)</u>
Net Loss	(112,790)	(1,769)	(114,559)
Fund Cash Balances at Beginning of Year - Restated (See Note 13)	<u>739,571</u>	<u>1,868</u>	<u>741,439</u>
<b>Fund Cash Balances at End of Year</b>	<u><b>\$ 626,781</b></u>	<u><b>\$ 99</b></u>	<u><b>\$ 626,880</b></u>

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

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005**

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**NOTE 1 – DESCRIPTION OF THE ENTITY**

The Village of Bellaire (the Village) is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The Village is located in Belmont County, in Southeastern Ohio, on the Ohio River. Bellaire was incorporated as a village in 1860. The Village was established as a statutory municipal corporation in 1873. Bellaire has a land area of 1.9 square miles and a 2001 census population of 4,892. A publicly-elected six-member Council governs the Village. The Village provides water, sewer and sanitation utilities, maintenance of Village streets, recreation, fire and emergency medical services, and police services. The Village contracts with the Neffs Volunteer Fire Department to provide fire protection and emergency medical services. The Village is involved with the Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association (OMEGA), Jefferson-Belmont Joint Solid Waste Authority, Bel-O-Mar Regional Council, and the Eastern Ohio Regional Wastewater Authority (EORWA) which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 11.

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

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

**A. Basis of Accounting**

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

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

**B. Cash and Investments**

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

**C. Fund Accounting**

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

**1. Governmental Fund Types:**

**General Fund**

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

VILLAGE OF BELLAIRE, OHIO

Notes to the Financial Statements  
December 31, 2005  
(Continued)

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

**C. Fund Accounting (Continued)**

**1. Governmental Fund Types: (Continued)**

**Special Revenue Funds**

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

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

***Fire/EMS Levy Special Revenue Fund*** – The Fire/EMS Levy Fund is used to account for financial resources to be used for various fire and emergency operations.

***CDBG Special Revenue Fund*** – The CDBG Fund is used to account for financial resources for home rehabilitation.

**Capital Projects Funds**

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

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

**2. Proprietary Fund Type:**

**Enterprise Funds**

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

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

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

**3. Fiduciary Fund Type**

**Expendable Trust Fund**

These funds are accounted for and reported similarly to government funds.

**Agency Fund**

The Agency Funds are purely custodial for which the Village is acting in an agency capacity.

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

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

**D. Budgetary Process**

**Budget**

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

**Estimated Resources**

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

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in Note 4 do not include January 1, 2005, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

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

**Encumbrances**

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

A summary of 2005 budgetary activity appears in Note 4.

**E. Property, Plant and Equipment**

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

**F. Accumulated Leave**

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

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

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

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

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

At December 31, 2005, the Village had no investments; it only deposited and held monies in interest drawing checking accounts and a money market account at a financial institution (Progressive Bank) which provided a statement of pledged collateral. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by collateral pledged by the financial institution in the Village's name to secure the repayment of Village 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 Township, 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 Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$1,086,225 and the bank balance was \$1,168,986, which included \$41,843 for payroll clearance accounts. Of the bank balance, \$100,000 was covered by federal deposit insurance and the remainder was covered by pledged collateral held at the Federal Reserve and a qualified third-party trustee (Mellon Bank), in the banking institution's and Village's names.

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

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

**Amounts Held by a Third Party Trustee**

As a result of Bond Indenture covenants, the Village has reported the market value of shares in a U.S. Treasury Money Market Mutual Fund, held by a third party trustee (JPMorgan), in the amount of \$209,699 and included in the fund balance of the Enterprise Fund Type. These restricted assets reflect the amount of accumulated resources for principal and interest payments for water system improvements.

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

**NOTE 4 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2005, follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,229,145	\$1,248,223	\$19,078
Special Revenue	560,453	603,569	43,116
Capital Projects	24,000	27,482	3,482
Expendable Trust	0	1,626	1,626
Enterprise	1,349,314	1,409,617	60,303
Total	\$3,162,912	\$3,290,517	\$127,605

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,237,900	\$1,265,266	(\$27,366)
Special Revenue	532,983	574,410	(41,427)
Capital Projects	20,406	20,405	1
Expendable Trust	20,247	20,247	0
Enterprise	1,522,210	1,522,407	(197)
Total	\$3,333,746	\$3,402,735	(\$68,989)

**NOTE 5 – PROPERTY TAXES**

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

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

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

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



**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

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**NOTE 6 - INCOME TAX**

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, maintenance of equipment, new equipment, extension and enlargement of municipal services and facilities, and capital improvements as determined by Village Council. 2005 income tax collections were \$637,511 and proceeds were allocated to the Village's General Fund.

**NOTE 7 - RISK MANAGEMENT**

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

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$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 Corporation.

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 Coverage**

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

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

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

**NOTE 7 - RISK MANAGEMENT (Continued)**

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

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

**NOTE 8 - RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

Two officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits, to participants. For 2005, employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries.

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

**NOTE 9 – LONG TERM OBLIGATIONS**

Changes in long-term obligations of the Village during the year ended December 31, 2005 consisted of the following:

	Outstanding 12/31/2004	Additions	Reductions	Outstanding 12/31/2005
<b><u>Enterprise Funds Obligations</u></b>				
<i>Mortgage Revenue Bonds:</i>				
Water System - 5-6.875%	\$ 690,000	\$ 0	\$ (100,000)	\$ 590,000
<i>General Obligation Bonds:</i>				
Sanitary Sewer Bond - 5%	318,200	0	(7,100)	311,100
<i>Installment Notes:</i>				
Dump truck - 4.5%	0	23,100	(5,486)	17,614
Sewer truck - 4%	40,061	0	(9,431)	30,630
<i>Total Enterprise Fund Obligations</i>	1,048,261	23,100	(122,017)	949,344
 <b><u>Governmental Funds Obligations</u></b>				
<i>Installment Notes:</i>				
Ambulance - 5%	0	33,624	(1,358)	32,266
Fire equipment - 6.50%	4,391	0	(4,391)	0
Fire truck - 4.25%	87,458	0	(8,544)	78,914
Downtown Revitalization - 6.69%	82,500	0	(22,500)	60,000
Dump truck - 4.5%	0	11,550	(2,743)	8,807
<i>Total Installment Notes</i>	174,349	45,174	(39,536)	179,987
Police & Fire pension - 4.25%	362,441	0	(5,989)	356,452
<i>Capital Leases:</i>				
Ambulance Lease	19,062	0	(19,062)	0
Fire Truck Lease	447,629	0	(21,465)	426,164
<i>Total Governmental Funds Obligations</i>	1,003,481	45,174	(86,052)	962,603
<b>Grand Total</b>	<b>\$ 2,051,742</b>	<b>\$ 68,274</b>	<b>\$ (208,069)</b>	<b>\$ 1,911,947</b>

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. The police and fire pension liability will be paid from property tax revenues in the Police and Fire Pension Special Revenue Funds.

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

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

**NOTE 9 – LONG TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Year	Enterprise			Governmental Fund Types		Total
	General Obligation Bonds	Mortgage Revenue Bonds	Installment Notes	Installment Notes	Police and Fire Pension	
2006	\$ 23,055	\$ 141,138	\$ 19,166	\$ 41,918	\$ 21,330	\$ 246,607
2007	23,080	139,706	19,166	40,945	21,330	244,227
2008	23,085	142,969	12,944	36,870	21,330	237,198
2009	23,070	140,619	0	34,861	21,330	219,880
2010	23,035	137,963	0	17,221	21,330	199,549
2011-2015	115,175	0	0	37,466	106,649	259,290
2016-2020	115,285	0	0	0	106,649	221,934
2021-2025	115,420	0	0	0	106,649	222,069
2026-2030	69,400	0	0	0	106,649	176,049
2031-2035	0	0	0	0	95,022	95,022
	<u>\$ 530,605</u>	<u>\$ 702,395</u>	<u>\$ 51,276</u>	<u>\$ 209,281</u>	<u>\$ 628,268</u>	<u>\$ 2,121,825</u>

**NOTE 10 - CAPITAL LEASES**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2005:

Year	Fire Truck
2006	\$ 47,831
2007	47,831
2008	47,831
2009	47,831
2010	47,831
2011-2015	239,153
2016-2018	143,492
Total Minimum Lease Payments	621,800
Less: Amount representing interest	(195,636)
Present value of minimum lease payments	<u>\$ 426,164</u>

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

A. Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The Village did not contribute any amounts to the Authority during 2005. The continued existence of the Authority is not dependent on the Village's continued participation and no equity interest exists. The Authority has no outstanding debt for which the Village of Bellaire is responsible.

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

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**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

- B. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. Village membership is voluntary. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2005, OMEGA did not receive any fees from the Village of Bellaire. The continued existence of OMEGA is not dependent on the Village's continued participation and no equity interest exists. OMEGA has no outstanding debt.
- C. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the Village of Bellaire is a member. The Authority is not dependent on the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.
- D. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The Council is not dependent upon the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. During 2005, Bel-O-Mar Regional Council received annual fees of \$1,370.
- E. Eastern Ohio Regional Wastewater Authority (EORWA) is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, Bridgeport and Martins Ferry. The Authority is operated by a four-member Board of Trustees. One member is appointed by the Mayor of Bellaire. The Authority is not dependent on the Village of Bellaire for its continued existence and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.

**NOTE 12 – CONTINGENCIES**

- A. Grants:  
The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms 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 Village at December 31, 2005.
- B. Litigation:  
The Village of Bellaire is currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the Village Law Director and outside legal counsel representing the Village's insurance company. However, in the opinion of management, the outcome of these proceedings would not have a material effect on their financial position.

**VILLAGE OF BELLAIRE, OHIO**

**Notes to the Financial Statements  
December 31, 2005  
(Continued)**

**NOTE 13 – RESTATEMENT OF FUND BALANCE**

For 2005, the Village has restated the beginning balance in the General Fund and Special Revenue Funds to bring accounts formerly classified as agency accounts onto the Village's books. For the General Fund, this amount was \$37 and for Special Revenue Funds the amount was \$443. In addition, cash on hand and off books in these same funds were included in the restated beginning balance in the amount of \$100 for the General Fund.

The beginning balance in the CDBG Fund was corrected to include \$10,146 which was not included in the beginning fund balances on the 2004 financial statements.

	<u>General Fund</u>	<u>Special Revenue</u>
Fund Balance, 12/31/04	\$115,508	\$453,642
Adjustments to bring cash accounts onto books	137	443
Correction of an error	<u>0</u>	<u>10,146</u>
Fund Balance, 01/01/05	<u>\$115,645</u>	<u>\$464,231</u>

In 2005, the Village's proprietary type beginning balances were restated to bring accounts formerly classified as agency funds onto the Village's books in the amount of \$114,068. In addition, cash on hand in the amount of \$100 was included in the restated beginning balances. The balance being carried in a Debt Service Trust Fund was also included in the beginning balance restatement in the amount of \$220,116.

**Proprietary Fund Type**

	<u>Previously Stated Balance 12/31/2004</u>	<u>Adjustments</u>	<u>Restated Balance 01/01/2005</u>
Water	\$125,822	\$288,533	\$414,355
Sanitation	252,761	41,744	294,505
Sewer	<u>26,703</u>	<u>4,008</u>	<u>30,711</u>
Fund Balance, 01/01/05	<u>\$405,286</u>	<u>\$334,285</u>	<u>\$739,571</u>

**Fiduciary Fund Type**

	<u>Previously Stated Balance 12/31/2004</u>	<u>Adjustments</u>	<u>Restated Balance 01/01/2005</u>
Agency	<u>\$116,614</u>	<u>(\$114,746)</u>	<u>\$1,868</u>



**Auditor of State  
Betty Montgomery**

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

Village of Bellaire  
Belmont County  
3197 Belmont Street  
Bellaire, Ohio 43906-1518

To the Village Council:

We have audited the financial statements of the Village of Bellaire, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 5, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village restated the beginning balance in the general and special revenue funds to record amounts previously reflected in an agency fund, to reflect cash-on-hand as a portion of fund balance, and to record a correction of an error. Additionally, the Village restated the beginning balance in the enterprise funds to record amounts previously reflected in an agency fund, to record cash on hand as a portion of fund balance, and to record enterprise debt service trust funds not previously recorded onto the Village's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated July 5, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Village's management dated July 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

July 5, 2006



VILLAGE OF BELLAIRE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

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

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

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

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

Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

No obligations paid by the Village had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, and free from any previous encumbrance, as the Village does not print the purchase orders entered into the Village's computerized accounting system.

VILLAGE OF BELLAIRE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005  
(Continued)

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

FINDING NUMBER 2005-001 (Continued)

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

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used. Only one blanket certification should be used for a particular line item appropriation. The Village Council should adopt a resolution to indicate an amount that blanket certificates cannot exceed.

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

**Officials' Response:** In the past the purchase orders were input into the computer system while verifying that the funds were encumbered. The Village Clerk will sign all purchase orders and verify all funds to be encumbered before the vouchers are printed.

FINDING NUMBER 2005-002

**Reportable Condition**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. The General Fund provides administrative services to the Enterprise Funds and charges such funds for these services. An indirect cost allocation plan should document the methods used by the Village to identify and accumulate these charges, and to allocate them or develop billing rates based on them.

No legislatively adopted indirect cost allocation plan was in place, during the period; however, the Water, Sanitation, and Sewer Funds reflected disbursements in the amount of \$25,000, \$26,864, and \$3,864, respectively, for "chargebacks" which were credited to the General Fund. Per Village management, these "chargebacks" were for the indirect cost of administrative services provided to the Enterprise Funds for the Utility department. Without an indirect cost allocation plan being prepared and adopted by the legislative authority, the Enterprise Funds may not be charged accurately for administrative services. Also, future charges to the Enterprise Funds for these administrative services, which are not in accordance with an approved indirect cost allocation plan, may result in Findings for Adjustment being issued against the Village's General Fund.

We recommend the Village prepare and adopt an indirect cost allocation plan to substantiate the amounts expended from the Enterprise Funds for the administrative costs provided to the Utility department by the General Fund.

VILLAGE OF BELLAIRE  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005  
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2005-002 (Continued)

**Reportable Condition (Continued)**

**Official's Response:** The Village has contacted two firms regarding the cost allocation study. The proposals will be reviewed by the finance committee and acted on accordingly.

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**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Rev. Code Section 5705.09 regarding a special fund for each class of revenue.	Yes	N/A.
2004-002	Ohio Rev. Code Section 5705.41(B) regarding expenditures exceeding appropriations.	No	No longer significant; Reissued in management letter.
2004-003	Ohio Rev. Code Section 5705.41(D) regarding not certifying the availability of funds prior to incurring an obligation.	No	Not Corrected; Reissued as Finding No. 2005-001.
2004-004	Ohio Rev. Code Section 5705.36 regarding amended certificates.	Yes	N/A.
2004-005	Ohio Rev. Code Section 5705.09 regarding a special fund for each special levy.	Yes	N/A.
2004-006	Material Weakness regarding expenditure procedures.	No	No longer significant; Reissued in management letter.
2004-007	Material Weakness regarding management review of the CHIP/CDBG program.	Yes	N/A.
2004-008	Reportable Condition regarding accounting and personnel policies.	No	Reissued in management letter.
2004-009	Reportable Condition regarding segregation of duties.	No	Reissued in management letter.
2004-010	Reportable Condition regarding an audit committee.	Yes	N/A.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF BELLAIRE**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 17, 2006**