

CITY OF BELLAIRE



**AUDITED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 1999**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the independent auditor's report of the City of Bellaire, Belmont County, prepared by Rea & Associates, Inc., Certified Public Accountants, for the audit period January 1, 1999 through December 31, 1999. 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.



JIM PETRO
Auditor of State

August 1, 2000

**CITY OF BELLAIRE
BELMONT COUNTY**

DECEMBER 31, 1999

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2000

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, 1999, 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 generally accepted auditing standards 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, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 22, 2000 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.

Rea & Associates, Inc.

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CITY OF BELLAIRE

Combined Balance Sheet
All Fund Types and Account Groups

For the Year Ended December 31, 1999

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
<u>Assets</u>			
Equity in Pooled Cash and and Cash Equivalents	\$ 319,110	\$ 404,768	\$ 55,686
Cash and Cash Equivalents:			
In Segregated Accounts	2,037	13,339	0
Investments in Segregated Accounts	0	3,259	0
Receivables:			
Property Taxes	89,007	46,702	0
Income Taxes	72,708	0	0
Accounts	137,183	14,948	0
Intergovernmental	78,791	17,953	0
Loans	0	20,724	0
Leases	0	0	13,656
Accrued Interest	0	8	0
Prepaid Items	3,307	1,658	0
Materials and Supplies Inventory	4,849	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	\$ 706,992	\$ 527,195	\$ 69,342

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Long-Term Obligations</u>	
\$ 226,703	\$ 0	\$ 0	\$ 1,006,267
91,174	13,642	0	120,192
0	16,992	0	20,251
0	0	0	135,709
0	0	0	72,708
165,943	0	0	318,074
0	0	0	96,744
0	0	0	20,724
0	0	0	13,656
0	309	0	317
9,690	0	0	14,655
8,253	0	0	16,938
36,451	0	0	36,451
169,438	0	0	169,438
1,141,483	0	0	1,141,483
0	0	530,105	530,105
<u>\$ 1,849,135</u>	<u>\$ 30,943</u>	<u>\$ 530,105</u>	<u>\$ 3,713,712</u>

CITY OF BELLAIRE

Combined Balance Sheet
All Fund Types and Account Groups

For the Year Ended December 31, 1999

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
LIABILITIES AND FUND EQUITY			
<u>Liabilities</u>			
Accounts Payable	\$ 36,941	\$ 53,466	\$ 0
Contracts Payable	0	12,965	0
Accrued Wages	28,221	1,990	0
Compensated Absences Payable	0	0	0
Intergovernmental Payable	7,179	1,700	0
Deferred Revenue	254,852	66,967	13,656
Undistributed Monies	0	0	0
Notes Payable	8,517	150,000	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	335,710	287,088	13,656
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	11,643	78,557	0
Reserved for Claimants	9,911	0	0
Reserved for Inventory	4,849	3,836	0
Reserved for Loans Receivable	0	20,724	0
Unreserved, Undesignated	344,879	136,990	55,686
Total Fund Equity (Deficit) and Other Credits	371,282	240,107	55,686
Total Liabilities, Fund Equity and Other Credits	\$ 706,992	\$ 527,195	\$ 69,342

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	
\$ 22,633	\$ 0	\$ 0	\$ 113,040
3,464	0	0	16,429
17,883	0	0	48,094
8,826	0	95,949	104,775
18,031	13,586	29,760	70,256
0	0	0	335,475
0	56	0	56
136,805	0	0	295,322
98,000	0	0	98,000
36,451	0	0	36,451
75,000	0	0	75,000
20,868	0	15,512	36,380
0	0	388,884	388,884
1,040,000	0	0	1,040,000
349,200	0	0	349,200
1,827,161	13,642	530,105	3,007,362
513,687	0	0	513,687
5,104	0	0	5,104
89,334	0	0	89,334
(586,151)	0	0	(586,151)
0	0	0	90,200
0	0	0	9,911
0	0	0	8,685
0	0	0	20,724
0	17,301	0	554,856
21,974	17,301	0	706,350
\$ 1,849,135	\$ 30,943	\$ 530,105	\$ 3,713,712

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, 1999

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<u>Revenues</u>			
Income Taxes	\$ 601,390	\$ 0	\$ 0
Property and Other Taxes	73,256	44,336	0
Permissive License Taxes	0	41,156	0
Charges for Services	126,484	6,522	0
Fines, Licenses and Permits	67,365	30,191	0
Intergovernmental	415,918	497,768	0
Interest	30,965	1,671	0
Rent	0	0	29,650
Other	14,367	8,119	0
Total Revenues	1,329,745	629,763	29,650
<u>Expenditures</u>			
Current:			
General Government	306,818	0	0
Security of Persons and Property	954,884	88,100	0
Public Health Services	18,855	5,571	0
Transportation	0	304,883	0
Community Environment	24,454	305,759	0
Leisure Time Activities	10,000	0	0
Debt Service:			
Principal Retirement	13,540	0	0
Interest and Fiscal Charges	11,019	9,677	0
Total Expenditures	1,339,570	713,990	0
Excess of Revenues Over (Under) Expenditures	(9,825)	(84,227)	29,650
<u>Other Financing Sources</u>			
Proceeds from Inception of Capital Lease	4,059	0	0
Proceeds from Sale of Fixed Assets	15,008	0	0
Operating Transfers In	80,000	0	0
Total Other Financing Sources	99,067	0	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	89,242	(84,227)	29,650
Fund Balances at Beginning Of Year	282,040	324,334	26,036
Fund Balance at End of Year	\$ 371,282	\$ 240,107	\$ 55,686

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	\$ 601,390
0	117,592
0	41,156
0	133,006
0	97,556
0	913,686
192	32,828
0	29,650
0	22,486
192	1,989,350
0	306,818
0	1,042,984
0	24,426
0	304,883
0	330,213
0	10,000
0	13,540
0	20,696
0	2,053,560
192	(64,402)
0	4,059
0	15,008
0	80,000
0	99,067
192	34,857
17,109	649,519
\$ 17,301	\$ 684,376

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, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Income Taxes	\$ 490,000	\$ 595,475	\$ 105,475
Property and Other Taxes	83,281	73,256	(10,025)
Permissive License Taxes	0	0	0
Charges for Services	86,770	115,072	28,302
Fines, Licenses, and Permits	37,450	66,925	29,475
Intergovernmental	372,818	426,622	53,804
Interest	15,000	31,055	16,055
Rent	0	0	0
Other	100,000	14,367	(85,633)
Total Revenues	1,185,319	1,322,772	137,453
Expenditures:			
Current:			
General Government	331,958	331,218	740
Security of Persons and Property	938,786	940,108	(1,322)
Public Health Services	19,256	19,195	61
Transportation	0	0	0
Community Environment	24,385	24,385	0
Leisure Time Activities	10,000	10,000	0
Debt Service:			
Principal Retirement	23,730	23,730	0
Interest and Fiscal Charges	13,410	11,019	2,391
Total Expenditures	1,361,525	1,359,655	1,870
Excess of Revenue Over (Under Expenditures)	(176,206)	(36,883)	139,323
Other Financing Sources (Uses):			
Proceeds from Loans	0	0	0
Proceeds from Sale of Fixed Assets	0	15,008	15,008
Operating Transfers In	0	80,000	80,000
Operating Transfers Out	(3,442)	0	3,442
Other Financing Sources (Uses)	(3,442)	95,008	98,450
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(179,648)	58,125	237,773
Fund Balance at Beginning of Year	225,397	225,397	0
Prior Year's Encumbrances Appropriated	23,793	23,793	0
Fund Balances at End of Year	\$ 69,542	\$ 307,315	\$ 237,773

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
44,000	44,336	336	0	0	0	0	0	0
21,000	41,156	20,156	0	0	0	0	0	0
0	6,524	6,524	0	0	0	0	0	0
26,000	30,191	4,191	0	0	0	0	0	0
301,771	546,536	244,765	0	0	0	0	0	0
0	1,670	1,670	0	0	0	0	0	0
0	0	0	24,000	44,454	20,454	0	0	0
1,000	9,119	8,119	0	0	0	0	0	0
<u>393,771</u>	<u>679,532</u>	<u>285,761</u>	<u>24,000</u>	<u>44,454</u>	<u>20,454</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0	0	0	0
69,289	122,554	(53,265)	0	0	0	0	0	0
5,746	5,586	160	0	0	0	0	0	0
322,117	318,494	3,623	0	0	0	0	0	0
353,167	353,125	42	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
9,923	9,677	246	0	0	0	0	0	0
<u>760,242</u>	<u>809,436</u>	<u>(49,194)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(366,471)	(129,904)	236,567	24,000	44,454	20,454	0	0	0
150,000	150,000	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(216,471)	20,096	236,567	24,000	44,454	20,454	0	0	0
265,904	265,904	0	11,232	11,232	0	16,992	16,992	0
4,154	4,154	0	0	0	0	0	0	0
<u>\$ 53,587</u>	<u>\$ 290,154</u>	<u>\$ 236,567</u>	<u>\$ 35,232</u>	<u>\$ 55,686</u>	<u>\$ 20,454</u>	<u>\$ 16,992</u>	<u>\$ 16,992</u>	<u>\$ 0</u>

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

For the Year Ended December 31, 1999

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Income Taxes	\$ 490,000	\$ 595,475	\$ 105,475
Property and Other Taxes	127,281	117,592	(9,689)
Permissive License Taxes	21,000	41,156	20,156
Charges for Services	86,770	121,596	34,826
Fines, Licenses, and Permits	63,450	97,116	33,666
Intergovernmental	674,589	973,158	298,569
Interest	15,000	32,725	17,725
Rent	24,000	44,454	20,454
Other	101,000	23,486	(77,514)
Total Revenues	1,603,090	2,046,758	443,668
Expenditures:			
Current:			
General Government	331,958	331,218	740
Security of Persons and Property	1,008,075	1,062,662	(54,587)
Public Health Services	25,002	24,781	221
Transportation	322,117	318,494	3,623
Community Environment	377,552	377,510	42
Leisure Time Activities	10,000	10,000	0
Debt Service:			
Principal Retirement	23,730	23,730	0
Interest and Fiscal Charges	23,333	20,696	2,637
Total Expenditures	2,121,767	2,169,091	(47,324)
Excess of Revenue Over (Under Expenditures)	(518,677)	(122,333)	396,344
Other Financing Sources (Uses):			
Proceeds from Loans	150,000	150,000	0
Proceeds from Sale of Fixed Assets	0	15,008	15,008
Operating Transfers In	0	80,000	80,000
Operating Transfers Out	(3,442)	0	3,442
Other Financing Sources (Uses)	146,558	245,008	98,450
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(372,119)	122,675	494,794
Fund Balance at Beginning of Year	519,525	519,525	0
Prior Year's Encumbrances Appropriated	27,947	27,947	0
Fund Balances at End of Year	\$ 175,353	\$ 670,147	\$ 494,794

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, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Revenue	
Charges for Services	\$ 1,205,855
Other	1,464
Total Operating Revenues	<u>1,207,319</u>
Operating Expenses	
Personal Services	513,704
Contractual Service	265,630
Materials and Supplies	180,138
Depreciation	72,922
Other Operating Expenses	182
Total Operating Expenses	<u>1,032,576</u>
Operating Income	<u>174,743</u>
Non-Operating Revenues (Expenses):	
Proceeds from Sale of Fixed Assets	925
Intergovernmental	1,583
Interest	9,290
Interest and Fiscal Charges	(96,793)
Total Non-Operating Revenues (Expense)	<u>(84,995)</u>
Income Before Operating Transfers	<u>89,748</u>
Operating Transfers Out	<u>(80,000)</u>
Net Income	9,748
Retained Earnings at Beginning of Year	<u>(501,461)</u>
Retained Earnings at End of Year	(491,713)
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>\$ 21,974</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, 1999

	<u>Enterprise</u>
INCREASE IN CASH AND CASH EQUIVALENTS:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 1,234,973
Customer Deposits Received	2,690
Other Cash Receipts	1,464
Cash Payments for Employee Services and Benefits	(507,528)
Cash Payments to Suppliers for Goods and Services	(188,732)
Cash Payments for Contractual Services	(267,286)
Cash Payments for Claims and Judgements	(32,500)
Customer Deposits Applied or Refunded	(2,308)
Other Cash Payments	(300)
	<hr/>
Net Cash Provided by Operating Activities	240,473
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>	
Intergovernmental Receipts	2,502
Operating Transfers Out	(80,000)
	<hr/>
Net Cash (Used) in Non-Capital and Related Financing Activities	(77,498)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds from Sale of Notes	143,737
Proceeds from Sale of Fixed Assets	925
Acquisition of Capital Assets	(214,930)
Principal Paid on Mortgage Revenue Bonds	(70,000)
Interest Paid on Mortgage Revenue Bonds	(72,026)
Principal Paid on Notes	(6,932)
Interest Paid on Notes	(3,011)
Principal Paid on General Obligation Bonds	(5,300)
Interest Paid on General Obligation Bonds	(17,725)
Principal Paid on Capital Lease	(9,574)
Interest Paid on Capital Lease	(1,790)
	<hr/>
Net Cash (Used) in Capital and Related Financing Activities	(256,626)

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, 1999

	<u>Enterprise</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Receipts	9,290
Interest and Fiscal Charges	<u>(2,241)</u>
Net Cash Provided by Investing Activities	7,049
Net Decrease in Cash and Cash Equivalents	(86,602)
Cash and Cash Equivalents at Beginning of Year	<u>610,368</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 523,766</u></u>
Reconciliation of Operating Income to	
<u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 174,743
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	72,922
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	29,118
Decrease in Prepaid Items	13,373
(Decrease) in Accounts Payable	(27,205)
Increase in Contracts Payable	3,464
Increase in Accrued Wages	4,281
(Decrease) in Compensated Absences Payable	(2,815)
Increase in Intergovernmental Payable	4,710
Increase in Customer Deposits Payable	382
(Decrease) in Claims and Judgements Payable	<u>(32,500)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 240,473</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, 1999**

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 1990 census population of 6,028.

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.

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 19.

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.

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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

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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 fund:

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.

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.

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All governmental fund types 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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, federal and state grants and subventions, 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, 1999, 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 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.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
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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 1999.

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.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
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C. Cash and Cash Equivalents:

Cash received by the City is pooled in a central bank account. Monies for all funds, 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 1999, investments were limited to certificates of deposit and repurchase agreements. 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 5, 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 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, 1999 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, 1999 the City had prepaid insurance that is reflected on the Combined Balance Sheet.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
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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. 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. Intergovernmental Revenues:

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

K. 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, debt service, and prepaid items. 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.

L. 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.

M. 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.

N. 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 - 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:

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

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:

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

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$ 89,242	\$ (84,227)	\$ 29,650	\$ 192
Net adjustment for revenue accruals	(11,032)	49,769	14,804	(192)
Proceeds of Notes	0	150,000	0	0
Net adjustments for expenditure accruals	1,900	35,317	0	0
Debt principal retirement	(10,190)	0	0	0
Encumbrances	(11,795)	(130,763)	0	0
Budget basis	\$ 58,125	\$ 20,096	\$ 44,454	\$ 0

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At December 31, 1999, the Community Development Block Grant Special Revenue Fund had a deficit balance of \$28,136, which was created by the application of generally accepted accounting principles. 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
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The Water and Sewer Enterprise Funds had deficit retained earnings as of December 31, 1999 in the amounts of \$227,650 and \$309,813, respectively, resulting from the City not presenting the fixed assets related to the mortgage revenue bonds and 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.

B. Legal Compliance

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

Special Revenue Funds:

Police Pension Fund	\$	112
Community Development Fund		53,999

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

NOTE 5 - 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:

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;

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
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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.

During fiscal year 1999, 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 \$485,360, and the bank balance was \$490,823. Of the bank balance:

1. \$234,887 was covered by federal depository insurance.
2. \$255,936 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.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
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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	\$ 867,239	\$ 867,239	\$ 867,239

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	\$ 1,332,348	\$ 20,251
Repurchase Agreement	(867,239)	867,239
Certificates of deposit with maturities of greater than three months	20,251	(20,251)
GASB Statement 3	\$ 485,360	\$ 867,239

As a result of Bond Indenture covenants, the City has reported "Restricted Assets: Cash and Cash Equivalents with Trustees" in the amount of \$169,438, 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 \$36,451 for water fund customer deposits payable, which is included in the carrying amount of the City's deposits.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
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NOTE 6 - 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, 1998 on the assessed value as of January 1, 1998, the lien date, and were collected in 1999. 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 1999 attached as a lien on December 31, 1997, were levied after October 1, 1998 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88% of true value. 1999 tangible personal property taxes are levied after October 1, 1998, on the value listed as of December 31, 1998 and are collected in 1999. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was \$32,541,500. Real estate represented 74% (\$24,022,060) of this total, tangible personal property represented 11% (\$3,523,930), and public utilities tangible personal property represented 15% (\$4,995,510). The full tax rate for all City operations applied to taxable property for the year ended December 31, 1999 was \$12.35 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, 1999. 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 1999 operations, the receivable is offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 1999 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.

CITY OF BELLAIRE, OHIO

Notes to the General Purpose Financial Statements
December 31, 1999

A summary of intergovernmental receivables follows:

General Fund:		
Estate tax	\$	14,770
Local government tax		64,021
Special Revenue Funds:		
Permissive tax		1,413
Gasoline tax		12,681
Motor vehicle license tax and fees		1,859
Grant (EMS)		<u>2,000</u>
Total intergovernmental receivables	\$	<u>96,744</u>

NOTE 8: 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 1999 the proceeds were allocated to the General Fund. Income tax for 1999 was \$601,390.

NOTE 9 - FIXED ASSETS AND DEPRECIATION

Proprietary Fund fixed assets by major classes of fixed assets at December 31, 1999 for those assets that were acquired since January 1, 1993 are as follows:

Improvements other than Buildings	\$	557,793
Equipment		705,154
Vehicles		20,172
Construction in Process		101,053
		<u>1,384,172</u>
Accumulated Depreciation		<u>242,689</u>
Net Fixed Assets	\$	<u>1,141,483</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City of Bellaire has a personal service contract, liability insurance, and auto insurance coverage with Municipal League Self-Insurance Group of Southfield, Michigan. In 1999 the City expended \$44,204 for these types of coverage. Each of these insurance policies has a \$1,000,000 limit and a \$1,000 deductible with claims not exceeding coverage in any of the last three years. There has not been a significant reduction in coverage from prior years.

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 11 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System:

All City of Bellaire employees, except non-administrative full-time uniformed police officers, 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City is required to contribute 13.55%. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$93,113, \$58,394 and \$47,679, respectively. The full amount has been contributed for 1998 and 1997 and 79% for 1999 with the remainder being reported as a fund liability.

B. Police and Firemen's Disability and Pension Fund:

The City of Bellaire contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the Fund), a cost-sharing, multiple employer, public employee retirement system, administered by the Fund's Board of Trustees. The Fund provides retirement benefits, disability, and health care benefits to qualified participants and survivor and death benefits to qualified spouses, children and dependent parents. Benefits are based on eligible service credit. Benefits are established by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's required contributions to the Fund for police and firefighters were \$67,666 and \$46,299 for the years ended December 31, 1999, \$39,601 and \$26,070 for 1998, and \$46,843 and \$33,078 for 1997. The full amount has been contributed for 1998 and 1997 and 79% for 1999 with the remainder being reported as a liability within 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, 1999, the unfunded liability of the City was \$388,884, 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.

C. Social Security System:

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 1999, three City employees have elected Social Security. The City's liability is 6.2% of wages paid.

NOTE 12 - 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 1999 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement; 4.2% was the portion that was used to fund health care for 1999.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the Fund) provides postretirement 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 eighteen whether or not the child is attending school or under the age of twenty-two if attending school full-time or on a two thirds 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 Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and 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, of which 7.0% of covered payroll is applied to the postemployment health care program. 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 number of participants eligible to receive health care benefits as of December 31, 1998 was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$24,292 for police and \$13,519 for firefighters. The Fund's total health care expenses for the year ended December 31, 1998 (the latest information available) were \$78,596,790.

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 \$465.47 for family coverage and \$157.31 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, 1999, the liability for unpaid compensated absences was \$104,775.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

NOTE 14 - CONTRACTURAL COMMITMENTS

As of December 31, 1999, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/99</u>
T & K Engineering – Downtown renovations	\$ 73,650	\$ 49,054	\$ 24,596
T & K Engineering – Water Plant improve- ments (electrical phase)	<u>27,350</u>	<u>26,166</u>	<u>1,184</u>
	<u>\$ 101,000</u>	<u>\$ 75,220</u>	<u>\$ 25,780</u>

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 1999 consisted of the following:

	<u>Outstanding 12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/99</u>
<u>Enterprise Funds Obligations</u>				
General Obligation Bonds:				
Sanitary Sewer Bonds-6.00%	\$ 354,500	\$ 0	\$ (5,300)	\$ 349,200
Mortgage Revenue Bonds:				
Sewer Bonds-5.00%-6.875%	1,185,000	0	(70,000)	1,115,000
Claims and judgments	130,500	0	(32,500)	98,000
Capital leases	<u>30,442</u>	<u>0</u>	<u>(9,574)</u>	<u>20,868</u>
Total Enterprise Funds	1,700,442	0	(117,374)	1,583,068
<u>General Long Term Obligations</u>				
Compensated Absences	103,840	0	(7,891)	95,949
Pension liability	28,198	0	(28,198)	0
Intergovernmental Payable	0	29,760	0	29,760
Capital Leases	20,339	4,059	(8,886)	15,512
Police & Fire Pension liability	<u>393,538</u>	<u>0</u>	<u>(4,654)</u>	<u>388,884</u>
Total Long Term Obligations	<u>545,915</u>	<u>33,819</u>	<u>(49,629)</u>	<u>530,105</u>
Grand Total	<u>\$ 2,246,357</u>	<u>\$ 33,819</u>	<u>\$ (167,003)</u>	<u>\$ 2,113,173</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

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 Police and Fire Pension Special Revenue Funds.

The City's overall legal debt margin was \$3,258,341 at December 31, 1999.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are as follows:

Year	Enterprise		General Long-Term Obligations Account Group	Total
	General Obligation Bonds	Mortgage Revenue Bonds	Police & Fire Pension Liability	
2000	\$ 23,060	\$ 142,763	\$ 21,330	\$ 187,153
2001	23,080	143,262	21,330	187,672
2002	23,085	143,463	21,330	187,878
2003	23,075	143,362	21,330	187,767
2004	23,050	142,963	21,330	187,343
2005-2009	115,300	706,694	106,649	928,643
2010-2014	115,190	137,962	106,648	359,800
2015-2019	115,195	0	106,649	221,844
2020-2024	115,430	0	106,648	222,078
2025-2029	92,500	0	106,649	199,149
2030-2034	0	0	106,648	106,648
2035	0	0	9,703	9,703
	<u>\$ 668,965</u>	<u>\$ 1,560,469</u>	<u>\$ 756,244</u>	<u>\$ 2,985,678</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

NOTE 16 - NOTE DEBT

The City's note activity for 1999, including amounts outstanding, interest rates, and the purpose for which the note was issued, is as follows:

	<u>Outstanding</u> <u>12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/99</u>
General Fund				
Computers-6.69%	\$ 18,707	\$ 0	\$ (10,190)	\$ 8,517
CDBG Fund - Downtown				
Revitalization-6.69%	0	150,000	0	150,000
Water Fund - Water Plant				
Improvements-6.50%	0	100,000	(4,027)	95,973
Sanitation Fund -				
Garbage truck-6.5%	0	43,737	(2,905)	40,832
Total	<u>\$ 18,707</u>	<u>\$ 293,737</u>	<u>\$ (17,122)</u>	<u>\$ 295,322</u>

All of 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. The principal and interest requirements to retire the notes outstanding at December 31, 1999 are as follows:

<u>Year</u>	<u>Computers</u>	<u>Downtown</u> <u>Revitalization</u>	<u>Water Plant</u> <u>Improvements</u>	<u>Garbage</u> <u>Truck</u>	<u>Totals</u>
2000	\$ 8,615	\$ 24,745	\$ 23,589	\$ 20,206	\$ 77,155
2001	0	23,516	23,588	16,165	63,269
2002	0	22,543	23,589	8,080	54,212
2003	0	21,569	23,588	0	45,157
2004	0	20,596	17,679	0	38,275
2005-2009	0	88,416	0	0	88,416
	<u>\$ 8,615</u>	<u>\$ 201,385</u>	<u>\$ 112,033</u>	<u>\$ 44,451</u>	<u>\$ 366,484</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

NOTE 17 - CAPITAL LEASES

In prior years, the City has entered into capitalized leases for a backhoe and police cruisers. During 1999, the City entered into an additional lease for a copier. 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 has been 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 \$15,512 has also been reflected in the general long-term obligations account group for the governmental funds' capital lease.

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, 1999:

<u>Year</u>	<u>Auditor's Copier</u>	<u>Mayor's Copier</u>	<u>Planning Police Dept. Copier</u>	<u>Dept. Copier</u>	<u>Fire Dept. Copier</u>	<u>Backhoe</u>	<u>Total</u>
2000	\$ 1,635	\$ 1,539	\$ 1,161	\$ 1,191	\$ 1,197	\$ 11,363	\$ 18,086
2001	1,590	1,269	1,161	1,592	1,197	11,363	18,172
2002	0	0	1,161	0	1,098	0	2,259
2003	0	0	1,161	0	0	0	1,161
2004	<u>0</u>	<u>0</u>	<u>346</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>346</u>
	3,225	2,808	4,990	2,783	3,492	22,726	40,024
Less: amount representing interest	<u>(230)</u>	<u>(184)</u>	<u>(777)</u>	<u>(238)</u>	<u>(357)</u>	<u>(1,858)</u>	<u>(3,644)</u>
Present value of minimum lease payments	<u>\$ 2,995</u>	<u>\$ 2,624</u>	<u>\$ 4,213</u>	<u>\$ 2,545</u>	<u>\$ 3,135</u>	<u>\$ 20,868</u>	<u>\$ 36,380</u>

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

NOTE 18 - 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, 1999:

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Sewer Fund</u>	<u>Total Funds</u>
Operating Revenues	\$ 792,176	\$ 375,663	\$ 39,480	\$ 1,207,319
Operating Expenses	593,604	363,880	2,170	959,654
Depreciation	62,776	8,629	1,517	72,922
Operating Income	135,796	3,154	35,793	174,743
Proceeds from Sale of Fixed Assets	925	0	0	925
Intergovernmental Revenue	1,583	0	0	1,583
Interest Income	9,290	0	0	9,290
Interest and Fiscal Charges	(77,032)	(1,141)	(18,620)	(96,793)
Operating Transfers – Out	(50,000)	(20,000)	(10,000)	(80,000)
Net Income (Loss)	20,562	(17,987)	7,173	9,748
Net Working Capital	388,750	112,183	25,004	525,973
Total Assets	1,587,386	211,928	49,821	1,849,135
Long-Term Liabilities to be Paid from Fund Revenues	1,150,155	143,910	359,634	1,653,699
Total Equity	286,037	45,750	(309,813)	21,974
Encumbrances Outstanding at 12/31/99	2,245	150	0	2,395

NOTE 19 - 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 1999. 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.
- 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 1999, OMEGA received \$584 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.

CITY OF BELLAIRE, OHIO

Notes to the General Purpose Financial Statements
December 31, 1999

- 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 1999, 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 1999, Bel-O-Mar Regional Council received annual fees of \$1,688.
- 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 20: 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 1999, the City received lease payments totaling \$28,152. As of December 31, 1999, lease payments receivable totaled \$13,656. Due to the nature of the lease agreement, future lease payment amounts will vary based upon Burger King's gross annual sales.

CITY OF BELLAIRE, OHIO

**Notes to the General Purpose Financial Statements
December 31, 1999**

NOTE 21 - 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, 1999.

B. Litigation:

The City of St. Clairsville 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, 1999 is \$98,000.

June 22, 2000

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, 1999, and have issued our report thereon dated June 22, 2000, 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 generally accepted auditing standards 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 1999-001 through 1999-003. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 22, 2000.

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 1999-005 to 1999-018.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

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 22, 2000
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 1999-004 to be a material weakness.

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

Hea & Associates, Inc.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Material Noncompliance

FINDING NUMBER	1999 - 001
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*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.

The City received Community Development Block Grant, Community Housing Improvement Grants (CHIP), Mayor's Court Computer monies and Ohio Public Works-Issue II funds and did not record the activity on their accounting records, or establish separate funds. The City inconsistently and incorrectly recorded the CDBG and CHIP activity to an incorrect fund, Commerce Park Fund. The Mayor's Court fines collected and distributed to the Mayor's Court Computer Fund were credited to the General Fund and Ohio Public Works receipts and disbursements were not recorded on the receipts or appropriation ledgers.

We recommend the City establish the above funds and record all activity associated with these monies on the City ledgers. The activities not recorded and correcting entries have been made to the general-purpose financial statements.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

FINDING NUMBER	1999 - 002
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Ohio Rev. Code Section 5705.39 states appropriations from each fund shall not exceed the total estimated revenue as certified by the budget commission on the Amended Official Certificate of Estimated Resources.

Appropriations in the Street Maintenance and Repair Fund and in the Downtown Revitalization Fund exceeded amounts certified by the budget commission by \$83,353 and \$287,235, respectively.

We recommend procedures be established to assure amended certificates of estimated resources are obtained from the budget commission prior to increasing appropriations.

FINDING NUMBER	1999 - 003
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*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.

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 does not certify the availability of funds for expenditures on their purchase orders or any other document.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

Material Control Weaknesses

FINDING NUMBER	1999 - 004
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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 sixteen (16) 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.

Reportable Conditions

FINDING NUMBER	1999 - 005
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*Fixed Assets

The City hired a private consultant to formulate fixed asset accounting policies and procedures and a computer program to develop fixed asset accounting records. However, the City has not assigned personnel the duties of preparing inventory sheets, identifying historical costs or inputting this information into the City's computer program. As a result, the City's general purpose financial statements do not include financial activities of the general fixed asset account group and fixed assets of the enterprise funds acquired prior to January 1, 1993, in accordance with generally accepted accounting principles.

We recommend the City take appropriate steps to develop fixed asset accounting records and amounts for inclusion in the general purpose financial statement.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

FINDING NUMBER	1999 – 006
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*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 strongly 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	1999 – 007
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*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.

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.

FINDING NUMBER	1999 – 008
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Surety Bonds

The Treasurer's surety bond and the City's employee blanket bond were in the amount of \$5,000. The employee blanket bond covered the Assistant to the Auditor, the Income Tax Administrator and the utility clerk, as well as all other City employees. The amount of funds for which each of these individuals was responsible or to which they had access far exceeds the bond amount. An insufficient bond leaves the City vulnerable to theft and loss of assets.

We recommend management review the City's surety bond coverage and require bonds be obtained in amounts commensurate with the duties performed.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

FINDING NUMBER	1999 - 009
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Financial Accountability

The City's 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	1999 - 010
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*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	1999 - 011
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*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 indicated that payments were made from the Water, Sanitation, and Sewer Funds which differed from the amounts developed by the consulting firm's cost allocation plan for the City.

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.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

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.

FINDING NUMBER	1999 - 012
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Pledged Collateral

The City does not receive updates from Progressive Bank on the collateral pledged to secure deposits. A review of the pledged collateral should be done quarterly to insure that proper securities are pledged and the amount pledged is adequate to cover the deposits.

We recommend the City request quarterly updates for Progressive Bank on collateral pledged.

FINDING NUMBER	1999 - 013
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Cash Accounts Not Recorded on Financial Records

The City has cash accounts that are not reflected on their financial records. These accounts include the law enforcement certificate of deposit, \$3,259; the fire department certificate of deposit, \$16,992; the payroll account, \$13,586; the income tax account, \$292; the Mayor's Court account, \$56; the water utility improvement account, \$808; the Community Development account, \$448; and the health department account, \$1745.

We recommend the City add these accounts to the financial records to ensure they are properly reflected in fund balances.

FINDING NUMBER	1999 - 014
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Fire Department Certificate of Deposit

The fire department certificate of deposit that was not reflected in the financial statements has been reported on the general purpose financial statements as a Fire Department Trust Fund investment. The Chief of the Fire Department believes this money to be fire levy money and not trust fund money. He believes the trust fund money was spent in its entirety in the construction of the new firehouse. No evidence was presented to support the origin of the money used to purchase the certificate of deposit.

We recommend the City research and document the origin of the moneys used to purchase this certificate of deposit. If the certificate of deposit is found to be fire levy money, the fund balance of the Fire Levy Fund should be adjusted to reflect the certificate of deposit. All interest from the fire levy certificate of deposit would be credited to the general fund. The general fund may then transfer this interest back to the Fire Levy Fund if approved by Council.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

FINDING NUMBER	1999 - 015
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Cash Reconciliations

Cash reconciliations are not performed on all deposit accounts. Not performing cash reconciliations could lead to incorrect transfers between accounts or the account becoming overdrawn.

We recommend that reconciliations be performed monthly for all deposit accounts. These reconciliations should be performed by someone outside the receipt and disbursement function for that area. If this is not possible we recommend that they be reviewed and approved periodically by a supervisor.

FINDING NUMBER	1999 - 016
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*Utility Department Data System Internal Control

We noted the following lack of controls in the utility data processing system and procedures:

- The utility clerk has the ability to make master file changes to rates at any time without supervisory approval. The system does not require approval for master file changes and a master file change report is not printed periodically.
- The Service Director verbally approves all adjustments to customer accounts. The Utility clerk makes these adjustments. However, the system does not print a listing of adjustments made or an audit trail of adjustments, nor does the system require an authorization code to adjust customer accounts.
- The utility department computer system is backed-up daily. Backup tapes are stored in the desk drawer and periodically overwritten. Monthly back-ups are not performed. A 1999 annual back up was not performed.

Insufficient controls over data processing system and procedures could result in misappropriation of funds, inappropriate adjustments to customer accounts, and loss of significant data without being detected timely by management.

We recommend the City review the data processing system procedures and controls and establish procedures to ensure the system controls are in place to prevent inappropriate alteration of customer accounts, rates, etc. Also, control procedures should include all a written approval of all adjustments and master file changes made to the system or customer account. This could be accomplished by printing a monthly master file change report and a report of all adjustments made during the month. These reports should be reviewed and initialed by management.

CITY OF BELLAIRE
BELMONT COUNTY

SCHEDULE OF FINDINGS
(CONTINUED)
DECEMBER 31, 1999

FINDING NUMBER	1999 - 017
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Data Input of Utility Rates

The data input of established rates was not consistently applied to all billings, resulting in a computer-billing overcharge to some minimum use customers. These overcharges, when noticed, had to be manually adjusted by the utility clerk. The utility clerk did not always review the billing journals for accounts that were being overcharged.

We recommend authorized rates be consistently applied and input into the data system ensuring accurate billing of all city utility customers.

FINDING NUMBER	1999 - 018
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Consumable Inventory

The City did not require department supervisors to complete an inventory of consumable items at December 31, 1999. As a result the amount reflected in the general purpose financial statements are the same as in the previous year. Although consumable inventory was not a significant balance sheet account, care should be taken to report accurate and up to date information.

We recommend the City establish and implement procedures that require department supervisors to count and price the consumable items at cost and submit a report to the Auditor of all consumable goods at the end of each calendar year. An accurate account balance could then be reported on the City's general purpose financial statements.

CITY OF BELLAIRE

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-21007-001 and 1997 – 21007-001	Ohio Rev. Code Section 5705.09 states that each subdivision is to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.	No	Partially Corrected; the City did not maintain the Community Development Block Grant (CDBG) activity on their financial records during the course of the year, adjustments made at year-end to reflect grant activity in the general purpose financial statements were inaccurate. Bel-O-Mar Regional Council, the administrative agent for the grant, did maintain adequate records and a grant budget for CDBG monies.
1998-21007-002 and 1997 – 21007-003	Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.	No	Not corrected; the City did not develop internal control procedures to avoid expenditures exceeding appropriations.
1998-21007-003 and 1997 – 21007-002	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.	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.
1998-21007-005 and 1997 – 21007-006	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	Not corrected; the City did not adopt procedures to provide oversight for the departments that currently have one employee.

CITY OF BELLAIRE

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-21007-006 and 1997 – 21007-007	Fixed Assets – The City hired a private consultant to formulate fixed assets accounting policies and procedures and a computer program to develop fixed asset records. However, the City has not assigned personnel the duties of preparing inventory sheets, identifying historical costs or inputting this information into the City's computer program.	No	Not corrected; the City has taken no steps toward correcting the reporting of fixed assets.



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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
SEPTEMBER 14, 2000**