

**Village of Bellaire**  
Belmont County, Ohio

*Audited Financial Statements*

For the Year Ended  
December 31, 2012





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Bellaire, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Bellaire is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 23, 2013

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**Village of Bellaire  
Belmont County  
For the Year Ended December 31, 2012**

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March 25, 2013

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements and related notes of the Village of Bellaire, Belmont County, (the Village) as of and for the year ended December 31, 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012, or changes in financial position or cash flows, thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bellaire, Belmont County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

**Village of Bellaire**  
**Belmont County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For The Year Ended December 31, 2012*

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Income Taxes	\$ 735,966	\$ 0	\$ 0	\$ 735,966
Property Taxes	73,844	42,171	0	116,015
Charges for Services	156,338	23,533	0	179,871
Fines, Licenses and Permits	69,334	360	0	69,694
Intergovernmental	192,947	198,759	0	391,706
Interest	9,298	434	0	9,732
Rent	0	0	12,846	12,846
Contributions and Donations	1,458	0	0	1,458
Other	31,906	1,342	0	33,248
<i>Total Cash Receipts</i>	<u>1,271,091</u>	<u>266,599</u>	<u>12,846</u>	<u>1,550,536</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	734,029	825	0	734,854
Security of Persons and Property	793,683	12,500	0	806,183
Community Environment	0	4,769	0	4,769
Transportation	0	155,917	0	155,917
Debt Service:				
Principal Retirements	2,590	50,081	0	52,671
Interest and Fiscal Charges	337	29,080	0	29,417
<i>Total Cash Disbursements</i>	<u>1,530,639</u>	<u>253,172</u>	<u>0</u>	<u>1,783,811</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	(259,548)	13,427	12,846	(233,275)
<i>Fund Cash Balance, January 1</i>	<u>597,516</u>	<u>414,438</u>	<u>40,495</u>	<u>1,052,449</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	15,556	0	0	15,556
Restricted	0	427,865	0	427,865
Committed	0	0	53,341	53,341
Assigned	133,795	0	0	133,795
Unassigned	188,617	0	0	188,617
<i>Fund Cash Balance, December 31</i>	<u>\$ 337,968</u>	<u>\$ 427,865</u>	<u>\$ 53,341</u>	<u>\$ 819,174</u>

See accompanying notes to the basic financial statements.

**Village of Bellaire**  
**Belmont County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash Balances -*  
*All Proprietary and Fiduciary Fund Types*  
*For The Year Ended December 31, 2012*

	Proprietary Fund Type		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 1,660,081	\$ 397,904	\$ 0	\$ 2,057,985
<b>Operating Cash Disbursements:</b>				
Personal Services	751,704	0	0	751,704
Contractual Services	505,206	0	0	505,206
Materials and Supplies	281,057	0	0	281,057
Claims	0	314,738	0	314,738
Purchased Services	0	125,092	0	125,092
Capital Outlay	127,948	0	0	127,948
<i>Total Operating Cash Disbursements</i>	<u>1,665,915</u>	<u>439,830</u>	<u>0</u>	<u>2,105,745</u>
<i>Operating Income (Loss)</i>	<u>(5,834)</u>	<u>(41,926)</u>	<u>0</u>	<u>(47,760)</u>
<b>Non-Operating Cash Receipts:</b>				
Other Non-Operating Receipts	19,388	0	20,735	40,123
Interest Earnings	0	174	0	174
Proceeds from Loans	75,000	0	0	75,000
<i>Total Non-Operating Cash Receipts</i>	<u>94,388</u>	<u>174</u>	<u>20,735</u>	<u>115,297</u>
<b>Non-Operating Cash Disbursements:</b>				
Other Non-Operating Disbursements	0	0	20,753	20,753
Principal Retirement	26,925	0	0	26,925
Interest and Fiscal Charges	16,498	0	0	16,498
<i>Total Non-Operating Cash Disbursements</i>	<u>43,423</u>	<u>0</u>	<u>20,753</u>	<u>64,176</u>
<i>Net Receipts Over (Under) Disbursements</i>	<u>45,131</u>	<u>(41,752)</u>	<u>(18)</u>	<u>3,361</u>
<i>Fund Cash Balance, January 1</i>	<u>901,925</u>	<u>57,239</u>	<u>75</u>	<u>959,239</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 947,056</u>	<u>\$ 15,487</u>	<u>\$ 57</u>	<u>\$ 962,600</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Bellaire (the Village) is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The Village is located in Belmont County, in Southeastern Ohio, on the Ohio River. Bellaire was incorporated as a village in 1860. The Village was established as a statutory municipal corporation in 1873. Bellaire has a land area of 1.9 square miles and a 2010 census population of 4,278. A publicly-elected six-member Council governs the Village. The Village provides water, sewer and sanitation utilities, maintenance of Village streets, recreation, fire and emergency medical services, and police services. The Village contracts with the Neff's Volunteer Fire Department to provide fire protection and emergency medical services. The Village is involved with the Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association (OMEGA), Jefferson-Belmont Joint Solid Waste Authority, Bel-O-Mar Regional Council, and the Eastern Ohio Regional Wastewater Authority (EORWA), which are defined as jointly governed organizations. The Village also participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Notes 6 and 12 to the financial statements provides additional information for these entities. The Village also participates in a claims servicing pool, Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, which is presented in Note 13.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. However, the Village did not have any investments at the end of 2012.

**D. Fund Accounting**

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

**VILLAGE OF BELLAIRE**  
**BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2012*

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**1. *General Fund***

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

**2. *Special Revenue Funds***

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

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

**3. *Capital Projects Funds***

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

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

**4. *Enterprise Funds***

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

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

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

**5. *Internal Service Fund***

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

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

**VILLAGE OF BELLAIRE**  
**BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
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**6. *Fiduciary Funds***

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

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

**E. *Budgetary Process***

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

**1. *Appropriations***

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

**2. *Estimated Resources***

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

**3. *Encumbrances***

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

A summary of 2012 budgetary activity appears in Note 3.

**F. *Fund Balance***

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Village. The Village Council has by resolution authorized the Village Auditor to assign fund balance. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

**G. *Property, Plant and Equipment***

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

**H. *Accumulated Leave***

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

**VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012*

**NOTE 2 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool for all funds use. The Ohio Revised Code prescribes allowable deposits. The Village has no investments. The carrying amount of deposits at December 31, 2012 was as follows:

Demand deposits \$ 1,766,062

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

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

**Cash with Fiscal Agent:** The Village has \$15,487 representing internal service fund cash with fiscal agent (OME-RESA). All benefit deposits are made to the consortium’s depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2012, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,246,064	\$ 1,271,091	\$ 25,027
Special Revenue	220,400	266,599	46,199
Capital Projects	24,000	12,846	(11,154)
Enterprise	1,742,130	1,754,469	12,339
Internal Service	0	398,078	398,078
Total	\$ 3,232,594	\$ 3,703,083	\$ 470,489

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,756,374	\$ 1,655,434	\$ 100,940
Special Revenue	251,896	253,172	(1,276)
Capital Projects	0	0	0
Enterprise	2,203,902	2,128,259	75,643
Internal Service	0	439,830	(439,830)
Total	\$ 4,212,172	\$ 4,476,695	\$ (264,523)

**VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 – PROPERTY TAX**

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

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

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

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

**NOTE 5 - INCOME TAX**

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, maintenance of equipment, new equipment, extension and enlargement of municipal services and facilities, and capital improvements as determined by Village Council. Income tax collections for 2012 were \$735,966 and proceeds were allocated to the Village's General Fund.

**VILLAGE OF BELLAIRE  
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*NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012*

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**NOTE 6 - RISK MANAGEMENT**

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

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

***Casualty and Property Coverage***

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

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

***Financial Position***

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

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

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13.0 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. This is the latest information available. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$66,000.

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Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$ 70,189	\$ 62,810

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

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

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

**NOTE 7 – SELF INSURANCE**

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

	<u>2012</u>
Cash and Investments	\$ 15,487
Actuarial liabilities	29,110

**NOTE 8 – RETIREMENT SYSTEMS**

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

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The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

Three officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2012, employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal for 6.2 percent of participant's gross salaries.

**NOTE 9 – DEBT**

Debt outstanding at December 31, 2012 was as follows:

<b><u>Enterprise Fund Obligations</u></b>	<u>Principal</u>	<u>Interest Rate</u>
<i>General Obligation Bonds:</i>		
Sanitary Sewer Bond	\$ 250,000	5.00%
OWDA Loan	184,733	0.00%
Packer Loan	<u>65,782</u>	4.865%
<i>Total Enterprise Fund Obligations</i>	<u>500,515</u>	
 <b><u>Governmental Fund Obligations</u></b>		
Police & Fire Pension	306,671	4.25%
<i>Capital Leases:</i>		
Fire Truck Lease	<u>236,014</u>	5.89%
<i>Total Governmental Fund Obligations</i>	<u>542,685</u>	
 Grand Total	 <u>\$1,043,200</u>	

The Enterprise Fund obligations (general obligation bonds, OWDA loan and Packer loan) will be paid from revenues derived from charges for services in the enterprise funds. The police and fire pension liability will be paid from property tax revenues from the Police Pension and Fire Pension Special Revenue Funds.

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

**VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012*

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

<u>Year</u>	<u>Police and Fire Pension</u>
2013	\$ 21,330
2014	21,330
2015	21,330
2016	21,330
2017	21,330
2018-2022	106,649
2023-2027	106,649
2028-2032	106,649
2033-2035	<u>52,363</u>
	<u>\$ 478,960</u>

<u>Enterprise Funds</u>				
<u>Year</u>	<u>General Obligation</u>		<u>Packer Loan</u>	<u>Total</u>
	<u>Bonds</u>			
2013	\$ 23,000	\$	12,663	\$ 35,663
2014	23,074		12,663	35,737
2015	23,020		12,663	35,683
2016	23,040		12,663	35,703
2017	23,030		12,663	35,693
2018-2022	115,365		12,663	128,028
2023-2027	115,570		0	115,570
2028	<u>23,100</u>		<u>0</u>	<u>23,100</u>
	<u>\$ 369,199</u>	<u>\$</u>	<u>75,978</u>	<u>\$ 445,177</u>

**VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
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During 2009, the Ohio Water Development Authority (OWDA) approved a loan in the amount of \$973,291 to the Village for the Brooks Run Waterline Replacement project. Of this amount, \$644,000 in principal was forgiven through assistance from funding through the American Recovery and Reinvestment Act of 2009 (ARRA) which leaves \$329,291 to be the total amount financed by the Village. The Village will repay the 0% interest in semi-annual installments. The first payment was due in 2011 and the final payment will be due in 2041. As of December 31, 2012, \$184,733 is the total principal outstanding on this loan. Since the OWDA project has not been finalized, there is no amortization schedule available for the OWDA loan, therefore it is not included in the amortization table above. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The waterline replacement project was completed in 2012.

During 2012, The Village borrowed \$75,000 at an interest rate of 4.865 percent in order to purchase a 2012 International Packer for use in the sanitation department. The first payment was made in January 2012 and the loan matures on December 22, 2018. The loan payments will be made from the sanitation fund.

**NOTE 10 - CAPITAL LEASES**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

	Governmental	
Year		Fire Truck
2013	\$	47,831
2014		47,831
2015		47,831
2016		47,831
2017		47,831
2018		47,831
Total Minimum Lease Payments		286,986
Less: Amount representing interest		(50,972)
Present value of minimum lease payments	\$	236,014

**VILLAGE OF BELLAIRE**  
**BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2012*

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**NOTE 11 – OTHER LIABILITIES**

During 2008, the Village entered into a contract with the Ohio Department of Transportation (ODOT) to provide for payment in the amount of \$200,000 which is a portion of the cost of the relocation of State Route 149. The Village pledges its rights, title and interest in the Village's Motor Vehicle Gasoline Tax Revenues to ODOT. If the funds from Motor Vehicle Gasoline Tax Revenues are insufficient to make any required payment, the Village agrees to use its General Fund revenue. On September 24, 2007, the Village paid a \$1,500 deposit leaving the total amount pledged as \$198,500. This amount is to be paid over fifteen years and is interest free. The total amount outstanding on this pledge at December 31, 2012 was \$148,500.

<u>Year</u>	<u>Pledge to ODOT</u>
2013	\$ 15,000
2014	15,000
2015	15,000
2016	15,000
2017	15,000
2018-2022	<u>73,500</u>
	<u>\$ 148,500</u>

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

- A. Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The Village did not contribute any amounts to the Authority during 2012. The continued existence of the Authority is not dependent on the Village's continued participation and no equity interest exists. The Authority has no outstanding debt for which the Village of Bellaire is responsible.
- B. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the Village of Bellaire is a member. The Authority is not dependent on the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.

**VILLAGE OF BELLAIRE**  
**BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2012*

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- C. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. Village membership is voluntary. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2012, OMEGA did not receive any fees from the Village of Bellaire. The continued existence of OMEGA is not dependent on the Village's continued participation and no equity interest exists. OMEGA has no outstanding debt.
- D. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The Council is not dependent upon the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. During 2012, the Village paid \$3,229 in membership fees to Bel-O-Mar Regional Council.
- E. Eastern Ohio Regional Wastewater Authority (EORWA) is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, Bridgeport and Martins Ferry. The Authority is operated by a four-member Board of Trustees. One member is appointed by the Mayor of Bellaire. The Authority is not dependent on the Village of Bellaire for its continued existence and the Village does not maintain an equity interest. The Village paid \$390 to the EORWA during 2012.

**NOTE 13 – CLAIMS SERVICING POOL**

*Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan (OME-RESA)* – The Village participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The Village of Bellaire paid \$8,944 to OME-RESA during 2012 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO**

*NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012*

**NOTE 14 - FUND BALANCE**

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

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

	General	Special Revenue Funds	Capital Projects	Total
Nonspendable for:				
Unclaimed Monies	\$ 15,556	\$ 0	\$ 0	\$ 15,556
Restricted for:				
Road Improvements	0	211,720	0	211,720
Parking Meter	0	42,458	0	42,458
Computer Improvements	0	3,778	0	3,778
Fire and Emergency Service Operations	0	100,780	0	100,780
Law Enforcement Programs	0	13,061	0	13,061
CHIP Programs	0	6,295	0	6,295
Community Development	0	19,893	0	19,893
Police and Fire Pension	0	29,781	0	29,781
Miscellaneous	0	99	0	99
	0	427,865	0	427,865
Committed for:				
Commerce Park	0	0	53,341	53,341
Assigned for:				
Encumbrances:				
General Government	14,943	0	0	14,943
Security of Persons and Property	53,252	0	0	53,252
Community and Economic Development	56,600	0	0	56,600
Subsequent Year Appropriations	9,000	0	0	9,000
	133,795	0	0	133,795
Unassigned	188,617	0	0	188,617
<i>Total Fund Balance</i>	\$ 337,968	\$ 427,865	\$ 53,341	\$ 819,174

**NOTE 15 – SIGNIFICANT COMMITMENTS**

***Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$124,795 for the general fund.

March 25, 2013

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

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

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Village of Bellaire (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated March 25, 2013 wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider significant deficiencies in internal control. We consider findings 2012-001 and 2012-002 to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2012-003 and 2012-004.

Village of Bellaire  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 25, 2013.

***Village's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

VILLAGE OF BELLAIRE  
BELMONT COUNTY

SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2012

**1. SUMMARY OF AUDITOR'S RESULTS**

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

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

**Significant Deficiencies**

<b>Finding Number</b>	<b>2012-001</b>
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**Criteria:** Financial reporting is the responsibility of the Village Clerk and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**Condition Found:** The Village does not currently have internal controls functioning properly over the receipt function. We noted errors in reporting property tax and intergovernmental revenues.

**Effect:** Audit adjustments were required as follows:

- To adjust \$1,376 of intergovernmental receipts incorrectly posted to the General Fund instead of the Police Pension and Fire Pension Funds.
- To adjust \$3,271 intergovernmental receipts incorrectly posted to the General Fund instead of the Street Maintenance and State Highway Funds.

**Recommendations:** The Village should implement procedures to review the adjustments identified above and ensure that similar errors are not reported on financial statements in subsequent years.

**Official's Response:** Prior to submission of the audited financial statements, the Village Deputy Clerk posted the adjustments above to the Village's accounting records to correctly state the Village's fund balances. The Deputy Clerk will post these items correctly in the future.

VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2012

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

**Significant Deficiencies (Continued)**

<b>Finding Number</b>	<b>2012-002</b>
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**Criteria: *Bank Account Reconciliations*** - The Village's management has a responsibility to design and maintain internal controls over financial reporting. Internal controls must exist over the cash reconciliation process. Timely reconciliation and review should be completed by the appropriate personnel.

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

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

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

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

**Material Non-Compliance**

<b>Finding Number</b>	<b>2012-003</b>
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**Criteria:** Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated resources.

**Condition:** During the performance of audit procedures, we noted the General Fund, Water Fund and Litter Grant Program Fund had appropriations exceeding estimated resources by \$459,431, \$310,286 and \$3,000 respectively.

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

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

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

VILLAGE OF BELLAIRE  
BELMONT COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2012

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

**Material Non-Compliance (Continued)**

<b>Finding Number</b>	<b>2012-004</b>
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**Criteria:** Ohio Rev. Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**Condition:** During the performance of audit procedures, we noted actual resources in the General Fund and Water Fund were lower than appropriations by \$428,511 and \$312,284 respectively.

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

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

**Official's Response:** The Village will make every effort to monitor actual resources and adjust appropriations accordingly.

**VILLAGE OF BELLAIRE  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Approximately \$11,000 of utility revenues collected per utility billing system did not get deposited or paid into the Village. Additionally, approximately \$7,300 of utility revenues collected from January 1, 2012 through March 19, 2012 per utility billing system did not get deposited or paid into in Village.	Yes	
2011-002	The Village utility billing department staff does not know how to completely utilize the computerized system and do not know all the daily processes required to perform their duties as effective as they could.	Yes	
2011-003	The Village stores backup tapes on-site.	Yes	
2011-004	There is no evidence of review of bank reconciliations for the general checking and department accounts. Also, no bank reconciliation prepared for the payroll clearing account.		Not corrected – Repeat as Finding 2012-002
2011-005	The Village had appropriations exceeding estimated resources by \$381,442 in the General Fund.		Not corrected – Repeat as Finding 2012-003
2011-006	The Village had appropriations exceeding actual resources by \$324,632 in the General Fund.		Not corrected – Repeat as Finding 2012-004
2011-007	The Village did not maintain a market value of pledged securities at least equal to one hundred five percent of uninsured public deposits.	Yes	
2011-008	The Village had expenditures plus encumbrances exceeding appropriations in various funds.	Yes	



# Dave Yost • Auditor of State

VILLAGE OF BELLAIRE

BELMONT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 9, 2013