

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

AUDIT REPORT

JANUARY 1, 2015 - DECEMBER 31, 2015

**VILLAGE OF BELLAIRE
BELMONT COUNTY
JANUARY 1, 2015 - DECEMBER 31, 2015**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Honorable Mayor and Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Bellaire, Belmont County, as of and for the year ended December 31, 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Village of Bellaire, Belmont County as of December 31, 2015 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 Village of Bellaire, Belmont County as of December 31, 2015 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2016, on our consideration of Village of Bellaire'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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 8, 2016

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 66,922	\$ 43,610	\$ -	\$ 110,532
Municipal Income Tax	780,825	-	-	780,825
Charges for Services	119,208	26,441	-	145,649
Fines, Licenses, Permits	93,427	630	-	94,057
Intergovernmental	207,529	233,359	-	440,888
Earnings on Investments	9,929	480	-	10,409
Rent	-	-	31,276	31,276
Contributions and Donations	503	10,128	-	10,631
Other	50,147	2,102	-	52,249
Total Cash Receipts	<u>1,328,490</u>	<u>316,750</u>	<u>31,276</u>	<u>1,676,516</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	697,279	27,581	-	724,860
Transportation	-	150,593	-	150,593
General Government	591,502	49	-	591,551
Debt Service:				
Principal Retirement	-	62,164	-	62,164
Interest and Fiscal Charges	-	21,997	-	21,997
Total Cash Disbursements	<u>1,288,781</u>	<u>262,384</u>	<u>-</u>	<u>1,551,165</u>
Excess of Receipts Over/(Under) Disbursements	39,709	54,366	31,276	125,351
Other Cash Financing Sources (Uses)				
Transfers In	20,000	-	-	20,000
Transfers Out	-	-	(20,000)	(20,000)
Total Other Cash Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>
Net Change in Fund Cash Balance	59,709	54,366	11,276	125,351
Fund Cash Balances, January 1	<u>794,134</u>	<u>334,661</u>	<u>140,120</u>	<u>1,268,915</u>
Fund Cash Balances, December 31				
Nonspendable	15,556	-	-	15,556
Restricted	-	387,175	-	387,175
Committed	-	-	151,396	151,396
Assigned	650,009	1,852	-	651,861
Unassigned (Deficit)	188,278	-	-	188,278
Fund Cash Balances, December 31	<u>\$ 853,843</u>	<u>\$ 389,027</u>	<u>\$ 151,396</u>	<u>\$ 1,394,266</u>

See notes to financial statements.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2015**

	Proprietary Fund Type		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 1,710,140	\$ 294,991	\$ -	\$ 2,005,131
Other	41,506	-	-	41,506
Total Operating Cash Receipts:	<u>1,751,646</u>	<u>294,991</u>	<u>-</u>	<u>2,046,637</u>
Operating Cash Disbursements:				
Personal Services	958,779	-	-	958,779
Contractual Services	384,788	-	-	384,788
Materials and Supplies	340,184	-	-	340,184
Claims	-	226,001	-	226,001
Purchased Services	-	117,635	-	117,635
Capital Outlay	312,058	-	-	312,058
Total Operating Cash Disbursements	<u>1,995,809</u>	<u>343,636</u>	<u>-</u>	<u>2,339,445</u>
Operating Income	(244,163)	(48,645)	-	(292,808)
Non-Operating Cash Receipts				
Other Non-Operating Receipts	1,163	-	62,657	63,820
Intergovernmental	204,380	-	-	204,380
Interest Earnings	-	1,213	-	1,213
Total Non-Operating Receipts	<u>205,543</u>	<u>1,213</u>	<u>62,657</u>	<u>269,413</u>
Non-Operating Cash Disbursements				
Other Non-Operating Disbursements	-	-	55,775	55,775
Principal Retirement	71,899	-	-	71,899
Interest and Fiscal Charges	14,822	-	-	14,822
Total Non-Operating Cash Disbursements	<u>86,721</u>	<u>-</u>	<u>55,775</u>	<u>142,496</u>
Net Change in Cash Fund Balance	(125,341)	(47,432)	6,882	(165,891)
Fund Cash Balances, January 1	<u>667,894</u>	<u>130,802</u>	<u>14,526</u>	<u>813,222</u>
Fund Cash Balances, December 31	<u>\$ 542,553</u>	<u>\$ 83,370</u>	<u>\$ 21,408</u>	<u>\$ 647,331</u>

See notes to financial statements.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

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, the Jefferson Health 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. *Accounting Basis*

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. *Deposits 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. The Village did not have any investments in 2015.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

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:

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 Funds:

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

Fire Levy Fund – This fund receives receipts including property tax, intergovernmental and charges for services and is used to account for expenditures for fire protection for the Village.

3. *Capital Projects Funds*

These funds account for receipts restricted or committed 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.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

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.

6. Agency Funds

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 funds account for the financial activity of the Mayor's Court and fire bonds.

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 2015 budgetary activity appears in Note 3.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

F. *Fund Balance*

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. *Nonspendable*

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. *Restricted*

Fund balance is 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.

3. *Committed*

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. *Assigned*

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Village 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.

5. *Unassigned*

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Village of Bellaire
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Notes to the Financial Statements
December 31, 2015

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.

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, 2015 was as follows:

Demand deposits	<u>\$ 1,958,002</u>
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Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

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

Cash with Fiscal Agent: The Village participates in the Jefferson Health Plan Health Benefits Consortium. The Village has \$83,370 internal service fund cash and cash equivalents with fiscal agent. 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, 2015, follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,333,804	\$ 1,348,490	\$ 14,686
Special Revenue	269,298	316,750	47,452
Capital Projects	24,000	31,276	7,276
Enterprise	1,846,358	1,957,189	110,831
Internal Service	0	296,204	296,204
Total	<u>\$ 3,473,460</u>	<u>\$ 3,949,909</u>	<u>\$ 476,449</u>

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,917,138	\$ 1,938,790	\$ (21,652)
Special Revenue	274,922	264,236	10,686
Capital Projects	20,000	20,000	0
Enterprise	2,218,698	2,101,828	116,870
Internal Service	0	343,636	(343,636)
Total	<u>\$ 4,430,758</u>	<u>\$ 4,668,490</u>	<u>\$ (237,732)</u>

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.

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

NOTE 5 – LOCAL 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.

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.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

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, 2014 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2015 and 2014:

	2015	2014
Casualty Coverage and Property Coverage		
Assets	\$ 38,307,677	\$ 35,402,177
Liabilities	(12,759,127)	(12,363,257)
Net Position	\$ 25,548,550	\$ 23,038,920

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$11.5 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$48,000.

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

Contributions to PEP	
2015	2014
\$ 75,245	\$ 73,260

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.

Village of Bellaire
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Notes to the Financial Statements
December 31, 2015

Settlements have not exceeded coverage in any of the last three 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>2015</u>
Cash and Investments	\$ 38,370
Actuarial liabilities	-

NOTE 8 – RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For January through June 2015, OP&F participants contributed 11.50% of their wages and for July through December 2015, they contributed 12.25% of their wages. For 2015, the Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages and 24.00% of full-time fire fighters' wages, respectively. For 2015, OPERS members contributed 10.00% of their gross salaries and the Village contributed an amount equaling 14.00% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

NOTE 9 – DEBT

Debt outstanding at December 31, 2015 was as follows:

<u>Enterprise Fund Obligations</u>	<u>Principal</u>	<u>Interest Rate</u>
<i>General Obligation Bonds:</i>		
Sanitary Sewer Bond	\$ 216,800	5.00%
OWDA Loan - Brooksrn	168,238	0.00%
OWDA Loan - Water Intake	973,848	0.00%
Packer Loan	35,200	4.865%
Equipment Loan	<u>19,544</u>	3.150%
<i>Total Enterprise Fund Obligations</i>	<u>1,413,630</u>	
 <u>Governmental Fund Obligations</u>		
Police & Fire Pension	280,426	4.25%
<i>Capital Leases:</i>		
Fire Truck Lease	128,113	5.89%
Fire Truck Lease	<u>360,496</u>	3.37%
<i>Total Governmental Fund Obligations</i>	<u>769,035</u>	
 Grand Total	 <u>\$2,182,665</u>	

The Enterprise Fund obligations (general obligation bonds, OWDA loans, Packer and equipment 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 Financial Statements
December 31, 2015

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

<u>Year</u>	<u>Police and Fire Pension</u>
2016	\$ 21,330
2017	21,330
2018	21,330
2019	21,330
2020	21,330
2021-2025	106,649
2026-2030	106,649
2031-2035	<u>95,023</u>
	<u>\$ 414,971</u>

<u>Enterprise Funds</u>					
<u>Year</u>	<u>General Obligation Bonds</u>	<u>OWDA Loans</u>	<u>Packer Loan</u>	<u>Equipment Loan</u>	<u>Total</u>
2016	\$ 23,040	\$ 53,715	\$ 12,663	\$ 19,537	\$ 108,955
2017	23,030	53,715	12,663	0	89,408
2018	23,090	53,715	12,579	0	89,384
2019	23,015	53,715	0	0	76,730
2020	23,110	53,715	0	0	76,825
2021-2025	115,420	268,575	0	0	383,995
2026-2030	69,400	268,575	0	0	337,975
2031-2035	0	268,575	0	0	268,575
2036-2040	0	64,495	0	0	64,495
2041	<u>0</u>	<u>3,292</u>	<u>0</u>	<u>0</u>	<u>3,292</u>
	<u>\$ 300,105</u>	<u>\$ 1,142,087</u>	<u>\$ 37,905</u>	<u>\$ 19,537</u>	<u>\$ 1,499,634</u>

Village of Bellaire
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Notes to the Financial Statements
December 31, 2015

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 left \$329,291 to be the total amount financed by the Village. The Village is repaying the 0% interest loan in semi-annual installments. The \$168,238 is the total principal outstanding on this loan. 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% 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 are made from the sanitation fund.

During 2013, the Ohio Water Development Authority (OWDA) approved a loan in the amount of \$2,341,172 to the Village for the Water Intake project. Of this amount, \$927,656 in principal was forgiven through assistance from funding through the OWDA Water Supply Revolving Loan Account. During 2013, a total of \$686,342 was drawn down, with an additional \$334,624 drawn down in 2014. The Village will repay the 0% interest loan in semi-annual installments. The first payment was due in 2014 and the final payment will be due in 2044. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

During 2013, the Village borrowed \$68,000 at an interest rate of 3.15% in order to purchase equipment to be used by the water, sewer and sanitation department. The first payment was made in November 2013 and the loan matures in October of 2016. The loan payments will be made from the water, sewer and sanitation funds.

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, 2015.

Year	Governmental Fire Truck
2016	\$ 90,894
2017	90,894
2018	90,894
2019	43,063
2020	43,063
2021-2025	215,314
Total Minimum Lease Payments	574,122
Less: Amount representing interest	(85,513)
Present value of minimum lease payments	\$ 488,609

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

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, 2015 was \$103,500.

<u>Year</u>	<u>Pledge to ODOT</u>
2016	\$ 15,000
2017	15,000
2018	15,000
2019	15,000
2020	15,000
2021-2022	<u>28,500</u>
	<u>\$ 103,500</u>

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. Eastern Ohio Regional Transit Authority

The 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 2015. 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

The Jefferson-Belmont Joint Solid Waste Authority was established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the Village of Bellaire is a member. The Authority is not dependent on the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

C. *Ohio Mid-Eastern Governments Association (OMEGA)*

The 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 2015, 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*

The 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 2015, the Village made \$3,026 in payments to Bel-O-Mar Regional Council.

E. *Eastern Ohio Regional Wastewater Authority (EORWA)*

The Eastern Ohio Regional Wastewater Authority (EORWA) was 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. During 2015, the Village made no payments to the EORWA.

NOTE 13 – CLAIMS SERVICING POOL

Jefferson Health Plan – The Village participates in the Jefferson Health Plan, a claims servicing pool established pursuant to Ohio Revised Code Chapter 167. The legislative body of the Consortium is an assembly consisting of a designee from each of its 90 members. The membership of the assembly appoints a nine-member Board of Directors, which acts as the managerial body of the Consortium. The Consortium provides a cooperative program to administer medical, prescription, vision and dental benefits to employees of the participating entities and their eligible dependents. The Village of Bellaire paid \$8,854 to the Jefferson Health Plan during 2015 for services.

Village of Bellaire
Belmont County, Ohio
Notes to the Financial Statements
December 31, 2015

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 governmental fund types are presented as follows:

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable for:				
Unclaimed Monies	\$ 15,556	\$ 0	\$ 0	\$ 15,556
Restricted for:				
Road Improvements	0	260,730	0	260,730
Parking Meter	0	50,186	0	50,186
Computer Improvements	0	4,789	0	4,789
Fire and Emergency Service Operations	0	4,025	0	4,025
Law Enforcement Programs	0	10,798	0	10,798
CHIP Programs	0	6,295	0	6,295
Community Development	0	22,683	0	22,683
Police and Fire Pension	0	28,279	0	28,279
Miscellaneous	0	1,242	0	1,242
	<u>0</u>	<u>389,027</u>	<u>0</u>	<u>389,027</u>
Committed for:				
Commerce Park	0	0	151,396	151,396
Assigned for:				
Encumbrances:				
General Government	25,136	0	0	25,136
Security of Persons and Property	624,873	0	0	624,873
	<u>650,009</u>	<u>0</u>	<u>0</u>	<u>650,009</u>
Unassigned	188,278	0	0	188,278
<i>Total Fund Balance</i>	<u>\$ 853,843</u>	<u>\$ 389,027</u>	<u>\$ 151,396</u>	<u>\$ 1,394,266</u>

NOTE 15 - ENCUMBRANCE COMMITMENTS

Outstanding encumbrances for governmental funds include \$650,009 in the general fund and \$1,852 in the special revenue funds.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

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

To the Honorable Mayor and Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Bellaire, Belmont County as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated June 8, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Village of Bellaire's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 a 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Bellaire'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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002, 2015-003 and 2015-004.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 8, 2016

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

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

FINDING NUMBER 2015-001

Significant Deficiency – Payroll 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.

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. 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.

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.

Client Response: The Village will make attempts to reconcile the payroll account.

FINDING NUMBER 2015-002

Material Noncompliance

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total of estimated resources.

Based on tests performed, we noted the Street Construction Fund, State Highway Fund, State Law Enforcement Fund and Water Fund had appropriations exceeding estimated resources by \$11,772, \$1,782, \$2,863 and \$221,352 respectively.

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

We recommend the Village compare estimated resources to appropriations in all funds that 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.

Client Response: The Village will make every effort to monitor appropriations and estimated resources.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

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

FINDING NUMBER 2015-003

Material Noncompliance

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from expending money unless it has appropriated. In 2015, the General Fund had expenditures exceeding appropriations by \$33,952.

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

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

Client Response: The Village will make every effort to monitor expenditures and appropriations and make any necessary adjustments accordingly.

FINDING NUMBER 2015-004

Noncompliance – Certification of Funds

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

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

- If the Fiscal Officer can certify that both at the time that the contract or order was made ("then") and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution "Then and Now" Certificates. Amounts less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

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

FINDING NUMBER 2015-04 (Continued)

- Blanket Certificates. Fiscal Officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for 77% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Client Response: The Village will continue to monitor expenditures being certified for payment.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2015**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-01	No evidence of review of bank reconciliations. No reconciliation for payroll account	No	Not Corrected Repeated as Finding 2015-001
2014-02	5705.39 Appropriations exceeding estimated resources	No	Not Corrected Repeated as Finding 2015-002
2014-03	5705.36 Appropriations exceeding actual resources	Yes	Finding No Longer Valid
2014-04	5705.41(D) expenditures made without prior certification	No	Not Corrected Repeated as Finding 2015-004