



Mary Taylor, CPA
Auditor of State

VILLAGE OF BELLAIRE
BELMONT COUNTY

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Mary Taylor, CPA Auditor of State

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

To the Village Council:

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

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Mary Taylor, CPA
Auditor of State

June 8, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Bellaire, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006, or its changes in financial position or cash flows, where applicable for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Bellaire, Belmont County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 8, 2007

**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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Income Taxes	\$635,694	\$	\$	\$635,694
Property Taxes	94,146	143,277		237,423
Charges for Services	59,450	29,073		88,523
Fines, Licenses, and Permits	59,988			59,988
Intergovernmental Receipts	348,734	287,061		635,795
Earnings on Investments	14,990	1,516		16,506
Rental Income		600	30,018	30,618
Miscellaneous	12,334	4,775		17,109
Total Cash Receipts	<u>1,225,336</u>	<u>466,302</u>	<u>30,018</u>	<u>1,721,656</u>
Cash Disbursements:				
Current:				
General Government	447,148			447,148
Security of Persons and Property	777,628	11,816		789,444
Public Health Services	5,929			5,929
Leisure Time Activities	115,727			115,727
Community Environment	10,316		1,148	11,464
Transportation		188,683		188,683
Debt Service:				
Principal Payments		49,474	15,000	64,474
Interest Payments		46,011	4,169	50,180
Capital Outlay		182,416		182,416
Total Cash Disbursements	<u>1,356,748</u>	<u>478,400</u>	<u>20,317</u>	<u>1,855,465</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(131,412)</u>	<u>(12,098)</u>	<u>9,701</u>	<u>(133,809)</u>
Other Financing Receipts:				
Sale of Notes	105,727			105,727
Sale of Assets	5,600			5,600
Total Other Financing Receipts	<u>111,327</u>	<u>0</u>	<u>0</u>	<u>111,327</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(20,085)</u>	<u>(12,098)</u>	<u>9,701</u>	<u>(22,482)</u>
Fund Cash Balances, January 1	<u>98,602</u>	<u>493,390</u>	<u>77,276</u>	<u>669,268</u>
Fund Cash Balances, December 31	<u>\$78,517</u>	<u>\$481,292</u>	<u>\$86,977</u>	<u>\$646,786</u>

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,479,763	\$	\$1,479,763
Miscellaneous	24,023		24,023
Total Operating Cash Receipts	<u>1,503,786</u>	<u>0</u>	<u>1,503,786</u>
Operating Cash Disbursements:			
Personal Services	703,161		703,161
Contractual Services	381,591		381,591
Supplies and Materials	158,256		158,256
Capital Outlay	104,075		104,075
Total Operating Cash Disbursements	<u>1,347,083</u>	<u>0</u>	<u>1,347,083</u>
Operating Income	<u>156,703</u>	<u>0</u>	<u>156,703</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		43,060	43,060
Interest Earnings	9,863		9,863
Total Non-Operating Cash Receipts	<u>9,863</u>	<u>43,060</u>	<u>52,923</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		43,152	43,152
Principal Retirement	134,584		134,584
Interest and Fiscal Charges	60,699		60,699
Total Non-Operating Cash Disbursements	<u>195,283</u>	<u>43,152</u>	<u>238,435</u>
Net Loss	(28,717)	(92)	(28,809)
Fund Cash Balances, January 1	<u>626,781</u>	<u>99</u>	<u>626,880</u>
Fund Cash Balances, December 31	<u><u>\$598,064</u></u>	<u><u>\$7</u></u>	<u><u>\$598,071</u></u>

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 – DESCRIPTION OF THE ENTITY

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

B. Cash and Investments

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

C. Fund Accounting

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

1. Governmental Fund Types:

General Fund

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

VILLAGE OF BELLAIRE
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Fund Types: (Continued)

Special Revenue Funds

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

Street Maintenance Fund – The Street Maintenance Fund is used to account for financial resources to be used for various street maintenance projects.

Permissive Tax Fund – The Permissive Tax Fund is used to account for financial resources to be used for various street paving projects.

Capital Projects Funds

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

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

2. Proprietary Fund Type:

Enterprise Funds

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

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

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

3. Fiduciary Fund Type

Agency Fund

The Agency Funds are purely custodial for which the Village is acting in an agency capacity. The following is the Village's significant Agency Fund:

Mayor's Court Fund – This fund accounts for the financial activity of the Mayor's Court.

VILLAGE OF BELLAIRE
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Budget

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

Estimated Resources

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

Prior to December 31, the Village must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in Note 4 do not include January 1, 2006, unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

Encumbrances

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

A summary of 2006 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Total Columns on the Financial Statements

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2006, the Village had no investments; it only deposited and held monies in interest drawing checking accounts and a money market account at financial institutions which provided statements of pledged collateral. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or a letter of credit pledged by the financial institution in the Village's name to secure the repayment of Village monies deposited within the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Village's deposits was \$1,088,121 and the bank balance was \$1,156,782. Of the bank balance \$114,649 was covered by federal depository insurance and the remainder was covered by a letter of credit in the banking institution's and Village's names.

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

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

Amounts Held by a Third Party Trustee

As a result of Bond Indenture covenants, the Village has reported the market value of shares in a U.S. Treasury Money Market Mutual Fund, held by a third party trustee (The Bank of New York Trust Company), in the amount of \$156,736 and included in the fund balance of the Enterprise Fund Type. These restricted assets reflect the amount of accumulated resources for principal and interest payments for water system improvements.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006, follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,293,931	\$1,336,663	\$42,732
Special Revenue	378,061	466,302	88,241
Capital Projects	24,000	30,018	6,018
Enterprise	1,433,777	1,513,649	79,872
Total	\$3,129,769	\$3,346,632	\$216,863

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,363,573	\$1,356,748	\$6,825
Special Revenue	481,391	478,400	\$2,991
Capital Projects	20,317	20,317	0
Enterprise	1,563,036	1,542,366	\$20,670
Total	\$3,428,317	\$3,397,831	\$30,486

NOTE 5 - PROPERTY TAXES

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

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

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

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

NOTE 6 - INCOME TAX

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 6 - INCOME TAX (Continued)

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 2006 were \$635,694 and proceeds were allocated to the Village's General Fund.

NOTE 7 – RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006:

<u>Casualty Coverage</u>	<u>2006</u>
Assets	\$30,997,868
Liabilities	(15,875,741)
Retained earnings	<u>\$15,122,127</u>

<u>Property Coverage</u>	<u>2006</u>
Assets	\$5,125,326
Liabilities	(863,163)
Retained earnings	<u>\$4,262,163</u>

At December 31, 2006, casualty coverage liabilities noted above include approximately \$14.4 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$110,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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>	
2004	\$56,880
2005	\$55,423
2006	\$54,796

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 7 - RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

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

NOTE 8 – RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (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 2006, 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 9 percent of their wages. The Village contributed an amount equal to 13.7 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

Two officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006, 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 – LONG TERM OBLIGATIONS

Changes in long-term obligations of the Village during the year ended December 31, 2006, consisted of the following:

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 9 – LONG TERM OBLIGATIONS (Continued)

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006
<u>Enterprise Funds Obligations</u>				
<i>Mortgage Revenue Bonds:</i>				
Water System - 5-6.875%	\$ 590,000	\$ 0	\$ (105,000)	\$ 485,000
<i>General Obligation Bonds:</i>				
Sanitary Sewer Bond - 5%	311,100	0	(7,500)	303,600
<i>Installment Notes:</i>				
Dump Truck - 4.5%	17,614	0	(7,608)	10,006
Sewer Truck - 4%	30,630	0	(9,815)	20,815
 <i>Capital Leases:</i>				
Backhoe Lease	0	28,742	(4,661)	24,081
<i>Total Enterprise Fund Obligations</i>	949,344	28,742	(134,584)	843,502
 <u>Governmental Funds Obligations</u>				
<i>Installment Notes:</i>				
Ambulance - 5%	32,266	0	(6,288)	25,978
Fire Truck - 4.5%	78,914	0	(8,074)	70,840
Downtown Revitalization - 6.69%	60,000	0	(15,000)	45,000
Dump Truck - 4.5%	8,807	0	(3,804)	5,003
<i>Total Installment Notes</i>	179,987	0	(33,166)	146,821
Police & Fire Pension - 4.25%	356,452	0	(6,247)	350,205
 <i>Bond Anticipation Note:</i>				
Boat Launch - 4.89%	0	105,727	0	105,727
 <i>Capital Leases:</i>				
Backhoe Lease	0	14,371	(2,331)	12,040
Fire Truck Lease	426,164	0	(22,730)	403,434
<i>Total Governmental Funds Obligations</i>	962,603	120,098	(64,474)	1,018,227
Grand Total	\$ 1,911,947	\$ 148,840	\$ (199,058)	\$ 1,861,729

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 9 – LONG TERM OBLIGATIONS (Continued)

General obligation bonds, mortgage revenue bonds, and installment notes, will be paid from revenues derived from charges for services in the enterprise funds. Capital lease obligations will be paid from the fund that maintains custody of the related asset. The police and fire pension liability will be paid from property tax revenues in the Police and Fire Pension Special Revenue Funds.

The installment notes which are governmental fund obligations are backed by the full faith and credit of the Village of Bellaire.

In 2006, the Village issued a bond anticipation note for the construction of a boat launch. The note was issued for \$510,000 at 4.89% interest with a maturity date of April 19, 2007. The note is backed by the full faith, credit and revenue of the Village. As of December 31, 2006, \$105,727 of the proceeds had been received and expended by the Village. The Village amended the original note by extension of the maturity date to October 1, 2007, and at a new rate of interest of 6.00%, on May 17, 2007, through Ordinance 2007-12.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006, are as follows:

Year	Enterprise			Governmental Fund Types		Total
	General Obligation Bonds	Mortgage Revenue Bonds	Installment Notes	Installment Notes	Police and Fire Pension	
2007	\$ 23,080	\$ 139,706	\$ 19,166	\$ 40,945	\$ 21,330	\$ 244,227
2008	23,085	142,969	12,944	36,870	21,330	237,198
2009	23,070	140,619	0	34,861	21,330	219,880
2010	23,035	137,963	0	17,221	21,330	199,549
2011	23,080	0	0	11,489	21,330	55,899
2012-2016	115,135	0	0	25,977	106,649	247,761
2017-2021	115,310	0	0	0	106,649	221,959
2022-2026	115,505	0	0	0	106,649	222,154
2027-2031	46,250	0	0	0	106,649	152,899
2032-2036	0	0	0	0	73,693	73,693
	<u>\$ 507,550</u>	<u>\$ 561,257</u>	<u>\$ 32,110</u>	<u>\$ 167,363</u>	<u>\$ 606,939</u>	<u>\$ 1,875,219</u>

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 10- CAPITAL LEASES

In 2006, the Village entered into a lease purchase agreement with Baystone Financial Group for the acquisition of a backhoe. Inception of capital leases are non-cash transactions and not recorded as a receipt in cash basis financial statements.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2006:

Governmental			
Year	Fire Truck	Backhoe	Total
2007	\$ 47,831	\$ 3,322	\$ 51,153
2008	47,831	3,322	51,153
2009	47,831	3,322	51,153
2010	47,831	3,322	51,153
2011	47,831	278	48,109
2012-2016	239,153	0	239,153
2017-2021	95,661	0	95,661
Total Minimum Lease Payments	573,969	13,566	587,535
Less: Amount representing interest	(170,535)	(1,526)	(172,061)
Present value of minimum lease payments	<u>\$ 403,434</u>	<u>\$ 12,040</u>	<u>\$ 415,474</u>
Enterprise			
Year		Backhoe	Total
2007		\$ 6,644	\$ 6,644
2008		6,644	6,644
2009		6,643	6,643
2010		6,643	6,643
2011		553	553
Total Minimum Lease Payments		27,127	27,127
Less: Amount representing interest		(3,046)	(3,046)
Present value of minimum lease payments		<u>\$ 24,081</u>	<u>\$ 24,081</u>

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

A. Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The Village did not contribute any amounts to the Authority during 2006. The continued existence of the Authority is not dependent on the Village's continued participation and no equity interest exists. The Authority has no outstanding debt for which the Village of Bellaire is responsible.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

- B. Ohio Mid-Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. Village membership is voluntary. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2006, OMEGA did not receive any fees from the Village of Bellaire. The continued existence of OMEGA is not dependent on the Village's continued participation and no equity interest exists. OMEGA has no outstanding debt.
- C. Jefferson-Belmont Joint Solid Waste Authority is established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the Village of Bellaire is a member. The Authority is not dependent on the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.
- D. Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the Village of Bellaire serves as the Village's representative on the board. The Council is not dependent upon the Village of Bellaire for its continued existence, no debt exists, and the Village does not maintain an equity interest. During 2006, the Village did not pay any fees to Bel-O-Mar Regional Council.
- E. Eastern Ohio Regional Wastewater Authority is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, Bridgeport and Martins Ferry. The Authority is operated by a four-member Board of Trustees. One member is appointed by the Mayor of Bellaire. The Authority is not dependent on the Village of Bellaire for its continued existence and the Village does not maintain an equity interest. The Village does not make any monetary contributions to the Authority.

NOTE 12 – CONTINGENCIES

A. Grants

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2006.

VILLAGE OF BELLAIRE
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 12 – CONTINGENCIES (Continued)

B. Litigation

The Village of Bellaire is currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the Village Law Director and outside legal counsel representing the Village's insurance company. However, in the opinion of management, the outcome of these proceedings would not have a material effect on their financial position.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Bellaire, Belmont County, Ohio (the Village), as of and for the year ended December 31, 2006, and have issued our report thereon dated June 8, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 8, 2007.

Compliance and Other Matters

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 8, 2007.

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.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 8, 2007

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Noncompliance and Significant Deficiency

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

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

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

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

Blanket Certificate – Fiscal officers may prepare so-called "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The 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 reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

No obligations paid by the Village had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, and free from any previous encumbrance, as printed purchase orders omitted the certification language and the Village Clerk's signature was not dated. The Village did not utilize any of the exceptions noted above.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance and Significant Deficiency (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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

Officials' Response: In regards to the purchase orders and encumbrances, we have contacted Civica CMI (the Village's software vendor), and had the official's statement regarding encumbrances and available funds be printed on the purchase orders.

**VILLAGE OF BELLAIRE
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D) regarding not certifying the availability of funds prior to incurring an obligation.	No	Not Corrected; Reissued as Finding No. 2006-001.
2005-002	A reportable condition in regards to the adoption of an indirect cost allocation plan.	Yes	N/A.



Mary Taylor, CPA
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
AUGUST 9, 2007**