

**CITY OF BELLEVUE, OHIO  
HURON COUNTY**

**AUDIT REPORT AND BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





Mary Taylor, CPA  
Auditor of State

City Council  
City of Bellevue  
3000 Seneca Industrial Parkway  
Bellevue, Ohio 44811

We have reviewed the *Independent Auditor's Report* of the City of Bellevue, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 10, 2010

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**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
AUDIT REPORT AND BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**JAMES G. ZUPKA, C.P.A., INC.**  
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*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To Members of City Council  
City of Bellevue, Ohio

The Honorable Mary Taylor  
Auditor of State  
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bellevue, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.


Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient evidential matter supporting amounts reported as capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions in the governmental activities and business-type activities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine amounts reported as capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2010, on our consideration of the City of Bellevue, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 11, 2010



**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

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The discussion and analysis of the City of Bellevue's (the City) financial performance provides an overall view of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- The City's net assets decreased \$1,303,882 as a result of this year's operations. The net assets of the City's governmental activities decreased \$1,498,349 or 8.14 percent, and net assets for the City's business-type activities increased by \$194,467.
- During the year, the City had expenses for governmental activities in the amount of \$6,497,804, which was not fully covered by program and general revenues of \$4,999,455. Business-type activities applied program revenues of \$4,938,616 to \$4,744,149 of expenses in 2009. This activity resulted in a loss of \$1,303,882 for both governmental and business-type activities.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column. In the case of the City, the General Fund is by far the most significant fund.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

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***Reporting the City as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, “How did we do financially during 2009?” The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the City’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include the City’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- Governmental Activities - Most of the City’s programs and services are reported here including Legislative and Executive, Judicial, Security of Persons and Property, Public Health and Welfare, Transportation, Community Environment, Basic Utilities, and Leisure Time Activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Water Fund and the Wastewater Pollution Fund are reported as business-type activities.

***Reporting the City’s Most Significant Funds***

*Fund Financial Statements*

Fund financial statements provide detailed information about the City’s major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City’s most significant funds. The City’s major governmental fund is the General Fund.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

**Governmental Funds** Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**The City as a Whole**

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008:

**Table 1 - Net Assets**

	Governmental Activities 2009	Business-Type Activities 2009	Total 2009	Total 2008 as Restated
<b>Assets</b>				
Current and Other Assets	\$ 6,295,295	\$ 3,315,959	\$ 9,611,254	\$ 11,118,106
Capital Assets	<u>13,752,013</u>	<u>22,672,027</u>	<u>36,424,040</u>	<u>36,825,752</u>
<b>Total Assets</b>	<u>\$ 20,047,308</u>	<u>\$ 25,987,986</u>	<u>\$ 46,035,294</u>	<u>\$ 47,943,858</u>
<b>Liabilities</b>				
Other Liabilities	\$ 1,305,176	\$ 269,486	\$ 1,574,662	\$ 1,463,113
Long-Term Liabilities	<u>1,828,649</u>	<u>8,374,092</u>	<u>10,202,741</u>	<u>10,918,972</u>
<b>Total Liabilities</b>	<u>3,133,825</u>	<u>8,643,578</u>	<u>11,777,403</u>	<u>12,382,085</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Debt	12,507,013	14,507,133	27,014,146	26,743,115
Restricted	1,202,757	0	1,202,757	1,871,919
Unrestricted	<u>3,203,713</u>	<u>2,837,275</u>	<u>6,040,988</u>	<u>6,946,739</u>
<b>Total Net Assets</b>	<u>\$ 16,913,483</u>	<u>\$ 17,344,408</u>	<u>\$ 34,257,891</u>	<u>\$ 35,561,773</u>

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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Table 2 shows the changes in net assets for the year 2009 compared to 2008 as restated:

<b>Table 2 - Changes in Net Assets</b>				
	Governmental Activities <u>2009</u>	Business-Type Activities <u>2009</u>	<u>Total 2009</u>	<u>Total 2008 as Restated</u>
<b><u>Revenues</u></b>				
Program Revenues:				
Charges for Services	\$ 247,753	\$ 4,532,047	\$ 4,779,800	\$ 4,384,228
Operating Grants	470,737	0	470,737	492,363
Capital Grants	0	406,569	406,569	435,805
General Revenue:				
Municipal Income Taxes	2,495,158	0	2,495,158	3,751,035
Property and Other Local Taxes	885,556	0	885,556	870,584
Grants and Entitlements	581,109	0	581,109	809,535
Unrestricted Investment Earnings	47,379	0	47,379	184,811
Other	<u>271,763</u>	<u>0</u>	<u>271,763</u>	<u>268,532</u>
<b>Total Revenues</b>	<u>4,999,455</u>	<u>4,938,616</u>	<u>9,938,071</u>	<u>11,196,893</u>
<b><u>Expenses</u></b>				
Program Expenses:				
General Government:				
Legislative and Executive	1,585,861	0	1,585,861	1,887,797
Judicial	319,790	0	319,790	256,817
Security of Persons and Property	2,557,845	0	2,557,845	2,577,545
Public Health and Welfare	107,580	0	107,580	104,900
Transportation	991,135	0	991,135	1,307,798
Community Environment	292,681	0	292,681	235,953
Basic Utilities	96,181	0	96,181	0
Leisure Time Activities	473,740	0	473,740	499,394
Interest and Fiscal Charges	72,991	0	72,991	80,451
Water Fund	0	2,306,600	2,306,600	2,133,546
Wastewater Pollution Fund	<u>0</u>	<u>2,437,549</u>	<u>2,437,549</u>	<u>2,157,405</u>
<b>Total Expenses</b>	<u>6,497,804</u>	<u>4,744,149</u>	<u>11,241,953</u>	<u>11,241,606</u>
Increase (Decrease) in Net Assets	(1,498,349)	194,467	(1,303,882)	(44,713)
Net Assets, Beginning of Year, as Restated	<u>18,411,832</u>	<u>17,149,941</u>	<u>35,561,773</u>	<u>35,606,486</u>
<b>Net Assets, End of Year</b>	<u>\$16,913,483</u>	<u>\$17,344,408</u>	<u>\$34,257,891</u>	<u>\$35,561,773</u>

***Governmental Activities***

Presently, the City has non-voted millage of 6.1 mills for General Fund operations and .6 mills each for the Police Pension Fund and the Fire Pension Fund. The City has voted millage, which is outside the 10-mill limitation of 2.0 mills for ambulance and emergency medical services and 1.5 mills for recreation.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Unaudited)**

The unique nature of property taxes in Ohio sometimes creates the need to seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.

Thus, the City depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 67.6 percent of revenues for governmental activities in calendar year 2009.

General Government - Legislative, Executive, and Judicial comprise 29.3 percent and Security of Persons and Property comprise 39.4 percent of governmental program expenses. Interest expense was 1.1 percent. Interest expense was attributable to outstanding bonds and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3 - Governmental Activities (in Millions)**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008
General Government			
Legislative and Executive	\$ 1,585,861	\$ 1,537,599	\$ 1,887,797
Judicial	319,790	319,790	256,817
Security of Persons and Property	2,557,845	2,532,745	2,107,481
Public Health and Welfare	107,580	84,763	71,015
Transportation	991,135	612,274	921,362
Community Environment	292,681	292,681	194,859
Basic Utility Services	96,181	96,181	0
Leisure Time Activities	473,740	230,290	337,977
Interest and Fiscal Charges	72,991	72,991	80,451
<b>Total Expenses</b>	<b>\$ 6,497,804</b>	<b>\$ 5,779,314</b>	<b>\$ 5,857,759</b>

The dependence upon tax revenues for governmental activities is apparent. Over 65 percent of program expenses and services are supported through taxes and other general revenues. The community, as a whole, is by far the primary support for the City.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

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***Business-Type Activities***

Business-type activities include the Water Fund and the Wastewater Pollution Fund. These programs had revenues of \$4,938,616 and expenses of \$4,744,149 for 2009 for a increase in net assets of \$194,467. Business-type activities receive no support from tax revenues.

**The City's Funds**

Information about the City's only major fund, the General Fund, starts on page 13. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,495,356 and expenditures of \$6,210,412. The General Fund, which is always a major fund, had a net decrease in fund balance of \$499,037. This decline indicates the City's need to decrease its expenditures, as its revenues are decreasing because of economic conditions.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2009, the City amended its General Fund budget only a few times, none significant. The City uses department-based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$4,533,579. This estimate was applied to the final budget amount of expenditures and encumbrances of \$5,599,526. The City's ending unobligated cash balance was \$947,794.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2009, the City had \$36,424,040 invested in land, buildings and land improvements, equipment, vehicles, and infrastructure. \$13,752,013 is reported in the governmental activities and \$22,672,027 is reported in business-type activities. Table 4 shows the 2009 balances compared to 2008 balances.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

**Table 4 - Capital Assets, Net of Accumulated Depreciation**

	Governmental	Business-Type	Total 2008	Total 2008
	Activities	Activities		
	2009	2009		
Land	\$ 719,694	\$ 3,532,950	\$ 4,252,694	\$ 4,252,644
Buildings and Land Improvements	5,836,254	16,810,941	22,647,195	22,637,195
Furniture and Equipment	2,827,607	4,252,652	7,080,259	7,009,033
Vehicles	3,015,709	228,764	3,244,473	3,216,492
Infrastructure	<u>12,812,445</u>	<u>17,585,034</u>	<u>30,397,479</u>	<u>29,181,398</u>
	25,211,709	42,410,341	67,622,050	66,296,762
Accumulated Depreciation	<u>(11,459,696)</u>	<u>(19,738,314)</u>	<u>(31,198,010)</u>	<u>(29,471,010)</u>
<b>Totals</b>	<u>\$ 13,752,013</u>	<u>\$ 22,672,027</u>	<u>\$ 36,424,040</u>	<u>\$ 36,825,752</u>

See Note 8 to the basic financial statements for additional detail on capital assets.

**Debt**

At December 31, 2009, the City had \$9,409,894 in bonds and loans outstanding with \$713,677 due within one year. Table 5 summarizes bond and loans outstanding.

**Table 5 - Outstanding Debt at Year End (in Millions)**

	Governmental	Business-Type	Total 2009	Total 2008
	Activities	Activities		
	2009	2009		
Municipal Building	\$ 1,245,000	\$ 0	\$ 1,245,000	\$ 1,335,000
OWDA Loans	0	8,164,894	8,164,894	8,747,637
<b>Total</b>	<u>\$ 1,245,000</u>	<u>\$ 8,164,894</u>	<u>\$ 9,409,894</u>	<u>\$ 10,082,637</u>

Outstanding general obligation bonds consist of a municipal building issue. General obligation bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City. The outstanding OWDA loans consist of loan agreements between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loans will be paid from resources of the Wastewater Pollution Fund.

See Note 10 to the basic financial statements for additional detail on debt.

**For the Future**

The City is just meeting its obligations. As the preceding information shows, the City heavily depends on its taxpayers. However, financially the future is not without challenges.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

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In conclusion, the City has committed itself to financial excellence for many years. In addition, the City's system of budgeting and internal controls is well regarded. All of the City's financial abilities will be needed to meet the challenges of the future.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information contact Steve Smith, City Auditor, 3000 Seneca Industrial Parkway, Bellevue, Ohio 44811-8709, or by e-mail at [auditor@Cityofbellevue.com](mailto:auditor@Cityofbellevue.com).



**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,463,875	\$ 2,357,552	\$ 5,821,427
Cash and Cash Equivalents In Segregated Accounts	495	986	1,481
Receivables:			
Taxes	1,801,068	0	1,801,068
Accounts	57,695	801,540	859,235
Notes	461,912	0	461,912
Due from Other Governments	448,297	0	448,297
Materials and Supplies Inventory	61,953	155,881	217,834
Capital Assets, Non-Depreciable	719,694	3,532,950	4,252,644
Capital Assets, Net of Depreciation	<u>13,032,319</u>	<u>19,139,077</u>	<u>32,171,396</u>
<b>Total Assets</b>	<b><u>\$ 20,047,308</u></b>	<b><u>\$ 25,987,986</u></b>	<b><u>\$ 46,035,294</u></b>
<b>Liabilities</b>			
Accounts Payable	\$ 219,551	\$ 90,335	\$ 309,886
Claims Payable	58,398	0	58,398
Accrued Wages	81,729	31,750	113,479
Due to Other Governments	90,926	29,444	120,370
Deferred Revenue	851,628	0	851,628
Undistributed Monies	0	986	986
Accrued Interest Payable	2,944	116,971	119,915
Long-Term Liabilities:			
Due Within One Year	250,955	672,585	923,540
Due in More Than One Year	<u>1,577,694</u>	<u>7,701,507</u>	<u>9,279,201</u>
<b>Total Liabilities</b>	<b><u>3,133,825</u></b>	<b><u>8,643,578</u></b>	<b><u>11,777,403</u></b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	12,507,013	14,507,133	27,014,146
Restricted for:			
Capital	549,305	0	549,305
Debt	23,376	0	23,376
Special Purposes	630,076	0	630,076
Unrestricted	<u>3,203,713</u>	<u>2,837,275</u>	<u>6,040,988</u>
<b>Total Net Assets</b>	<b><u>\$16,913,483</u></b>	<b><u>\$ 17,344,408</u></b>	<b><u>\$ 34,257,891</u></b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
<i>Governmental Activities</i>							
General Government:							
Legislative and Executive	\$ 1,585,861	\$ 48,262	\$ 0	0	\$ (1,537,599)	\$ 0	\$ (1,537,599)
Judicial	319,790	0	0	0	(319,790)	0	(319,790)
Security of Persons and Property	2,557,845	0	25,100	0	(2,532,745)	0	(2,532,745)
Public Health and Welfare	107,580	22,817	0	0	(84,763)	0	(84,763)
Transportation	991,135	0	378,861	0	(612,274)	0	(612,274)
Community Environment	292,681	0	0	0	(292,681)	0	(292,681)
Basic Utilities	96,181	0	0	0	(96,181)	0	(96,181)
Leisure Time Activities	473,740	176,674	66,776	0	(230,290)	0	(230,290)
Interest and Fiscal Charges	72,991	0	0	0	(72,991)	0	(72,991)
<i>Total Governmental Activities</i>	<u>6,497,804</u>	<u>247,753</u>	<u>470,737</u>	<u>0</u>	<u>(5,779,314)</u>	<u>0</u>	<u>(5,779,314)</u>
<i>Business-Type Activities</i>							
Water Fund	2,306,600	2,442,680	0	406,569	0	542,649	542,649
Wastewater Pollution Fund	2,437,549	2,089,367	0	0	0	(348,182)	(348,182)
<i>Total Business-Type Activities</i>	<u>4,744,149</u>	<u>4,532,047</u>	<u>0</u>	<u>406,569</u>	<u>0</u>	<u>194,467</u>	<u>194,467</u>
<b>Total Primary Government</b>	<u>\$11,241,953</u>	<u>\$ 4,779,800</u>	<u>\$ 470,737</u>	<u>\$ 406,569</u>	<u>(5,779,314)</u>	<u>194,467</u>	<u>(5,584,847)</u>
<b>General Revenues</b>							
Taxes:							
Municipal Income Taxes					2,495,158	0	2,495,158
Property and Other Local Taxes, Levied for General Purposes					885,556	0	885,556
Grants and Other Local Contributions Not Restricted to Specific Programs					581,109	0	581,109
Unrestricted Investment Earnings					47,379	0	47,379
Miscellaneous					271,763	0	271,763
<b>Total General Revenues</b>					<u>4,280,965</u>	<u>0</u>	<u>4,280,965</u>
Change in Net Assets					(1,498,349)	194,467	(1,303,882)
Net Assets at Beginning of Year, as Restated					<u>18,411,832</u>	<u>17,149,941</u>	<u>35,561,773</u>
<b>Net Assets at End of Year</b>					<u>\$ 16,913,483</u>	<u>\$ 17,344,408</u>	<u>\$34,257,891</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 975,116	\$ 2,488,759	\$ 3,463,875
Cash and Cash Equivalents in Segregated Accounts	495	0	495
Receivables:			
Taxes	1,201,053	600,015	1,801,068
Accounts	54,681	3,014	57,695
Notes	0	461,912	461,912
Due from Other Governments	197,609	250,688	448,297
Material and Supplies Inventory	7,943	54,010	61,953
<b>Total Assets</b>	<b><u>\$ 2,436,897</u></b>	<b><u>\$ 3,858,398</u></b>	<b><u>\$ 6,295,295</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 190,467	\$ 29,084	\$ 219,551
Accrued Wages	67,466	14,263	81,729
Due to Other Governments	74,867	16,059	90,926
Deferred Revenue	1,238,417	809,980	2,048,397
Total Liabilities	<u>1,571,217</u>	<u>869,386</u>	<u>2,440,603</u>
<b><u>Fund Balances</u></b>			
Reserved for Notes Receivable	0	461,912	461,912
Reserved for Encumbrances	10,528	60,002	70,530
Reserved for Inventory	7,943	54,010	61,953
Unreserved	847,209	0	847,209
Unreserved, Reported in:			
Special Revenue Funds	0	1,840,407	1,840,407
Debt Service Fund	0	23,376	23,376
Capital Projects Funds	0	549,305	549,305
Total Fund Balances	<u>865,680</u>	<u>2,989,012</u>	<u>3,854,692</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,436,897</u></b>	<b><u>\$ 3,858,398</u></b>	<b><u>\$ 6,295,295</u></b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2009**

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<b>Total Governmental Fund Balances</b>		\$ 3,854,692
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,752,013
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	\$ 733,435	
Grants	386,430	
Property and Other Local Taxes	<u>76,904</u>	
		1,196,769
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Claims Payable	(58,398)	
Accrued Interest Payable	(2,944)	
Compensated Absences Payable	(583,649)	
General Obligation Bonds Payable	<u>(1,245,000)</u>	
		<u>(1,889,991)</u>
<b>Net Assets of Governmental Activities</b>		<b><u>\$16,913,483</u></b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>			
Municipal Income Taxes	\$ 2,941,360	\$ 0	\$ 2,941,360
Property and Other Taxes	311,803	555,208	867,011
Intergovernmental	536,066	584,024	1,120,090
Investment Income	22,900	24,479	47,379
Licenses and Permits	53,787	0	53,787
Fines and Forfeitures	107,465	15,654	123,119
Charges for Services	48,262	199,491	247,753
Miscellaneous	81,527	13,330	94,857
<b>Total Revenues</b>	<u>4,103,170</u>	<u>1,392,186</u>	<u>5,495,356</u>
<b><u>Expenditures</u></b>			
Current:			
General Government:			
Legislative and Executive	1,564,647	0	1,564,647
Judicial	271,036	44,654	315,690
Security of Persons and Property	2,032,748	445,432	2,478,180
Public Health and Welfare	0	107,576	107,576
Transportation	0	851,152	851,152
Community Environment	207,456	75,430	282,886
Leisure Time Activities	0	443,961	443,961
Debt Service:			
Principal Retirement	0	90,000	90,000
Interest and Fiscal Charges	0	76,320	76,320
<b>Total Expenditures</b>	<u>4,075,887</u>	<u>2,134,525</u>	<u>6,210,412</u>
Excess of Revenue Over (Under) Expenditures	<u>27,283</u>	<u>(742,339)</u>	<u>(715,056)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	0	526,320	526,320
Transfers Out	(526,320)	0	(526,320)
<b>Total Other Financing Sources (Uses)</b>	<u>(526,320)</u>	<u>526,320</u>	<u>0</u>
Net Change in Fund Balance	(499,037)	(216,019)	(715,056)
Fund Balances at Beginning of Year, as Restated	1,364,717	3,194,699	4,559,416
Increase in Reserve for Inventory	0	10,332	10,332
<b>Fund Balances at End of Year</b>	<u>\$ 865,680</u>	<u>\$ 2,989,012</u>	<u>\$ 3,854,692</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (715,056)

*Amounts reported in governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays were over (under) depreciation in the current period.

Capital Outlay	\$ 253,633	
Depreciation	<u>(634,618)</u>	(380,985)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Municipal Income Taxes	(446,202)	
Grants	(68,244)	
Property and Other Taxes	<u>18,545</u>	(495,901)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 90,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,329

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Claims	(58,398)	
Reserved for Inventory	10,332	
Compensated Absences	<u>48,330</u>	<u>264</u>

**Change in Net Assets of Governmental Activities** \$(1,498,349)

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Municipal Income Taxes	\$ 3,328,000	\$ 3,328,000	\$ 2,893,391	\$ (434,609)
Intergovernmental	561,100	561,100	555,239	(5,861)
Investment Income	137,724	137,724	22,900	(114,824)
Licenses and Permits	56,850	56,850	53,787	(3,063)
Fines and Forfeitures	116,800	116,800	111,205	(5,595)
Charges for Services	400	400	382	(18)
Property and Other Taxes	287,953	287,953	315,872	27,919
Miscellaneous	<u>44,752</u>	<u>44,752</u>	<u>81,747</u>	<u>36,995</u>
<b>Total Revenues</b>	<u>4,533,579</u>	<u>4,533,579</u>	<u>4,034,523</u>	<u>(499,056)</u>
<b><u>Expenditures</u></b>				
Current:				
General Government:				
Legislative and Executive	1,597,359	1,713,159	1,524,870	188,289
Judicial	286,011	291,011	262,543	28,468
Security of Persons and Property	1,950,712	2,140,712	2,025,821	114,891
Community Environment	<u>237,734</u>	<u>237,734</u>	<u>203,532</u>	<u>34,202</u>
<b>Total Expenditures</b>	<u>4,071,816</u>	<u>4,382,616</u>	<u>4,016,766</u>	<u>365,850</u>
Excess of Revenues Over (Under) Expenditures	<u>461,763</u>	<u>150,963</u>	<u>17,757</u>	<u>(133,206)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers Out	<u>(1,274,624)</u>	<u>(1,274,624)</u>	<u>(526,320)</u>	<u>748,304</u>
<b>Total Other financing Sources (Uses)</b>	<u>(1,274,624)</u>	<u>(1,274,624)</u>	<u>(526,320)</u>	<u>748,304</u>
Net Change in Fund Balance	(812,861)	(1,123,661)	(508,563)	615,098
Fund Balances at Beginning of Year	1,398,643	1,398,643	1,398,643	0
Prior Year Encumbrances Appropriated	<u>57,714</u>	<u>57,714</u>	<u>57,714</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 643,496</u>	<u>\$ 332,696</u>	<u>\$ 947,794</u>	<u>\$ 615,098</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	<u>Business-Type Activities - Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Wastewater Pollution Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 592,728	\$ 1,764,824	\$ 2,357,552
Cash and Cash Equivalents In Segregated Accounts	986	0	986
Accounts Receivable	380,470	421,070	801,540
Inventory of Supplies	<u>134,957</u>	<u>20,924</u>	<u>155,881</u>
Total Current Assets	1,109,141	2,206,818	3,315,959
Capital Assets, Non-Depreciable	3,474,890	58,060	3,532,950
Capital Assets, Net of Accumulated Depreciation	<u>10,056,624</u>	<u>9,082,453</u>	<u>19,139,077</u>
<b>Total Assets</b>	<b><u>\$14,640,655</u></b>	<b><u>\$ 11,347,331</u></b>	<b><u>\$ 25,987,986</u></b>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Accounts Payable	\$ 47,017	\$ 43,318	\$ 90,335
Accrued Wages	20,010	11,740	31,750
Accrued Interest Payable	0	116,971	116,971
Compensated Absences Payable	35,865	18,043	53,908
Due to Other Governments	18,243	11,201	29,444
Undistributed Monies	986	0	986
OWDA Loan Payable	<u>0</u>	<u>618,677</u>	<u>618,677</u>
Total Current Liabilities	<u>122,121</u>	<u>819,950</u>	<u>942,071</u>
Long-Term Liabilities:			
Compensated Absences Payable	92,770	62,520	155,290
OWDA Loan Payable	<u>0</u>	<u>7,546,217</u>	<u>7,546,217</u>
Total Long-Term Liabilities	<u>92,770</u>	<u>7,608,737</u>	<u>7,701,507</u>
<b>Total Liabilities</b>	<b><u>214,891</u></b>	<b><u>8,428,687</u></b>	<b><u>8,643,578</u></b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	13,531,514	975,619	14,507,133
Unrestricted	<u>894,250</u>	<u>1,943,025</u>	<u>2,837,275</u>
<b>Total Net Assets</b>	<b><u>\$14,425,764</u></b>	<b><u>\$ 2,918,644</u></b>	<b><u>\$17,344,408</u></b>

See accompanying notes to the basic financial statements.



**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Business-Type Activities - Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Wastewater Pollution Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 2,407,556	\$ 1,996,781	\$ 4,404,337
Other Operating Revenues	<u>30,009</u>	<u>90,211</u>	<u>120,220</u>
<b>Total Operating Revenues</b>	<u>2,437,565</u>	<u>2,086,992</u>	<u>4,524,557</u>
<b><u>Operating Expenses</u></b>			
Personal Services	943,944	621,688	1,565,632
Contractual Services	438,946	655,527	1,094,473
Materials and Supplies	464,751	253,378	718,129
Other Operating Expense	20,705	4,698	25,403
Depreciation	<u>438,254</u>	<u>654,128</u>	<u>1,092,382</u>
<b>Total Operating Expenses</b>	<u>2,306,600</u>	<u>2,189,419</u>	<u>4,496,019</u>
Operating Income (Loss)	<u>130,965</u>	<u>(102,427)</u>	<u>28,538</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Tap-In Fees	5,115	2,375	7,490
Interest and Fiscal Charges	<u>0</u>	<u>(248,130)</u>	<u>(248,130)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>5,115</u>	<u>(245,755)</u>	<u>(240,640)</u>
Income (Loss) Before Contributions	136,080	(348,182)	(212,102)
Capital Grants	<u>406,569</u>	<u>0</u>	<u>406,569</u>
Changes in Net Assets	542,649	(348,182)	194,467
Total Net Assets at Beginning of Year	<u>13,883,115</u>	<u>3,266,826</u>	<u>17,149,941</u>
<b>Total Net Assets at End of Year</b>	<u>\$14,425,764</u>	<u>\$ 2,918,644</u>	<u>\$17,344,408</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
DECEMBER 31, 2009**

	<u>Business-Type Activities - Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Wastewater Pollution Fund</u>	<u>Total</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received for Services	\$ 2,344,063	\$ 1,914,907	\$ 4,258,970
Cash Received from Other Operating Sources	30,009	90,211	120,220
Cash Payments to Suppliers for Goods and Services	(902,179)	(908,616)	(1,810,795)
Cash Payments to Employees for Services	(924,937)	(603,110)	(1,528,047)
<b>Net Cash Provided by Operating Activities</b>	<u>546,956</u>	<u>493,392</u>	<u>1,040,348</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Tap-In Fees	5,115	2,375	7,490
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>5,115</u>	<u>2,375</u>	<u>7,490</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Proceeds from Capital Grant	406,569	0	406,569
Payment of OWDA Loans	0	(582,743)	(582,743)
Payments for Capital Acquisitions	(1,101,617)	(9,731)	(1,111,348)
Interest Paid	0	(250,148)	(250,148)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(695,048)</u>	<u>(842,622)</u>	<u>(1,537,670)</u>
Net Decrease in Cash and Cash Equivalents	(142,977)	(346,885)	(489,832)
Cash and Cash Equivalents at Beginning of Year	<u>736,691</u>	<u>2,111,679</u>	<u>2,848,370</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 593,714</u>	<u>\$ 1,764,824</u>	<u>\$ 2,358,538</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u></b>			
Operating Income (Loss)	\$ 130,965	\$ (102,427)	\$ 28,538
Adjustments:			
Net Cash from Operating Activities:			
Depreciation Expense	438,254	654,128	1,092,382
(Increase) Decrease in Assets:			
Accounts Receivable	(54,089)	(81,874)	(135,963)
Materials and Supplies Inventory	73,311	24,694	98,005
Increase (Decrease) in Liabilities:			
Accounts Payable	(37,182)	(10,579)	(47,761)
Accrued Wages	5,710	3,081	8,791
Compensated Absences Payable	(1,136)	5,978	4,842
Due to Other Governments	527	391	918
Undistributed Monies	(9,404)	0	(9,404)
Total Adjustments	<u>415,991</u>	<u>595,819</u>	<u>1,011,810</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 546,956</u>	<u>\$ 493,392</u>	<u>\$ 1,040,348</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2009**

	Private Purpose <u>Trust</u>	<u>Agency</u>
<b><u>Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$ 110,434	\$ 8,198
Cash and Cash Equivalents in Segregated Accounts	0	21,803
Accounts Receivable	<u>0</u>	<u>1,054</u>
<b>Total Assets</b>	<b><u>\$ 110,434</u></b>	<b><u>\$ 31,055</u></b>
<b><u>Liabilities</u></b>		
Undistributed Monies	\$ 0	\$ 18,811
Accounts Payable	0	919
Funds on Deposit	0	2,207
Due to Other Governments	<u>0</u>	<u>9,118</u>
<b>Total Liabilities</b>	<b><u>0</u></b>	<b><u>\$ 31,055</u></b>
<b><u>Net Assets</u></b>		
Restricted:		
Perpetual Care Unexpendable	6,760	
Unrestricted:		
Perpetual Care Expendable	70,471	
Undesignated	<u>33,203</u>	
<b>Total Net Assets</b>	<b><u>\$ 110,434</u></b>	

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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	<u>Private Purpose Trust</u>
<b><u>Revenues</u></b>	
Interest Income	\$ 2,628
<b>Total Revenues</b>	<u>2,628</u>
<b><u>Expenses</u></b>	
Other Operating Expenses	<u>239</u>
<b>Total Expenses</b>	<u>239</u>
Change in Net Assets	2,389
Net Assets at Beginning of Year, Restated	<u>108,045</u>
<b>Net Assets at End of Year</b>	<u>\$ 110,434</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 1: DESCRIPTION OF THE ENTITY AND REPORTING ENTITY**

The City of Bellevue (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a council-mayor government. The City provides police protection within its boundaries and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water and wastewater treatment. The City constructs and maintains streets and sidewalks within the City. The City also operates and maintains parks.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt, or the levying of their taxes. The City has no component units.

The City has not included the Bellevue City School District in its financial statements, as the City has no control over the District's operations and the District is an autonomous entity.

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

**CITY OF BELLEVUE, OHIO**  
**HURON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(CONTINUED)**

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NOTE 1: **DESCRIPTION OF THE ENTITY AND REPORTING ENTITY** (Continued)

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB Statement No. 20, the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989, to its proprietary activities. Election of this approach to accounting for proprietary activities by the City has required no change from prior years.

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

A. **Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except the fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**CITY OF BELLEVUE, OHIO**  
**HURON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

A. **Basis of Presentation** (Continued)

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. **Fund Accounting**

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the City's only major governmental fund:

*General Fund* - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the City are for grants and other resources, debt service, and capital projects whose uses are restricted to a particular purpose.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

B. **Fund Accounting** (Continued)

**Proprietary Funds**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net assets, financial position, and cash flows, and are classified as either enterprise or internal service. The City presently does not have an Internal Service Fund.

*Enterprise Funds* - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's Enterprise Funds are:

Water Fund - This fund accounts for the financial transactions related to water operations of the City.

Wastewater Pollution Fund - This fund accounts for the financial transactions related to the water treatment service operations of the City.

**Fiduciary Funds**

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City does not have investment trust funds or pension trust funds. The City's private purpose trust funds are for monies set aside for certain cemetery lots and the Community Center. The City's Agency Funds consist of the State Highway Patrol Transfer Fund, the Unclaimed Money Fund, the Municipal Court Agency Fund, and the DUI/Indigent Drivers Alcohol Fund.



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(CONTINUED)**

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

C. **Measurement Focus**

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets.

**Fund Financial Statements**

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

D. **Basis of Accounting** (Continued)

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, property taxes, interest, grants, and miscellaneous account revenue.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes, for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance 2010 operations, have been recorded as deferred revenue. Special assessments and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

D. **Basis of Accounting** (Continued)

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. **Budget**

An annual appropriated budget is legally required to be prepared for all funds of the City other than Agency funds. Council passes appropriations at the fund, department, and object level. Line item appropriations may be transferred between the accounts with the approval of the City Auditor and either the Mayor or Safety Services Director. Council must approve any revisions in the budget that alter total fund appropriations. The following are the procedures used by the City in establishing the budgetary date reported in the basic financial statements:

**Tax Budget**

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, for the period January 1 to December 31 of the following year. This requirement was waived by the Sandusky County Auditor for calendar year 2009.

**Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The

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

E. **Budget** (Continued)

**Estimated Resources** (Continued)

certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2009.

**Appropriations**

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Council legally enacted several supplemental appropriation ordinances during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures.

**Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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

**F. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund balance integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the combined balance sheet.

During 2009, investments were limited to STAROhio, the State Treasurer's investment pool.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2009 amounted to \$22,900, which included \$16,801 assigned from other funds of the City.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAROhio) during 2009. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2009.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For purposes of the Statement of Cash Flows and for presentation on the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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

**G. Inventories**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expense when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first in, first out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of zero. Public domain ("infrastructure") general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized under new requirements of the Governmental Accounting Standards Board. The City anticipates adding all water and sewer infrastructure next year. Improvements are capitalized and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

H. **Capital Assets** (Continued)

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land Improvements	15 years	15 years
Buildings and Improvements	40 years	40 years
Furniture and Equipment	10 years	10 years
Vehicles	5 years	5 years
Infrastructure	80 years	80 years

I. **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Presently, there are no interfund receivables or payables.

J. **Compensated Absences**

Compensated absences of the City consist of vacation leave, holiday, personal, compensatory, and sick leave to the extent that payment to the employee for these absences are attributed to services already rendered and are not contingent on a specific event that is outside the control of the City.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

J. **Compensated Absences** (Continued)

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The entire compensated absence liability is reported on the government-wide financial statements.

K. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

L. **Fund Balance Reserves**

The City reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved balance indicates that portion of fund balances, which is available for appropriation in future periods. Fund balances reserves have been established for community development, notes receivable, encumbrances, and inventories of supplies and materials.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are water and wastewater treatment charges for services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**O. Interfund Activity**

Transfers between governmental and business-type activities on the governmental-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

Q. **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3: **BUDGET BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balances, Budget and Actual, General Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

NOTE 3: **BUDGET BASIS OF ACCOUNTING** (Continued)

Net Change in Fund Balance	<u>General Fund</u>
<b>Budget Basis</b>	\$ (508,563)
Adjustments:	
Revenue Accruals:	
Accrued 2008, Received Cash in 2009	(88,207)
Accrued 2009, not yet Received in Cash	156,854
Expenditure Accruals:	
Accrued 2009, net yet Paid in Cash	188,285
Accrued 2008, Paid in Cash 2009	(274,728)
Encumbrances	<u>27,322</u>
<b>GAAP Basis</b>	<u><u>\$ (499,037)</u></u>

NOTE 4: **DEPOSITS AND INVESTMENTS**

**Deposits**

State statutes classify deposits held by the City into three categories.

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

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

Interim 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:

1. United State Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits** (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;
8. High grade commercial paper in an amount not to exceed 5 percent of the City's total average portfolio;
9. Bankers' acceptances and commercial paper notes in an amount not to exceed 270 days and in an amount not to exceed 10 percent of the City's total average portfolio; and
10. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits** (Continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**Cash On Hand**

At year-end, \$495 was on hand throughout the City in the form of drawer change and petty cash.

**Deposits**

At year-end, the carrying amount of the City's deposits was \$1,204,460 and the bank balance was \$1,437,280, \$357,423 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$1,079,857 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral pools at the Federal Reserve banks or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

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(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits** (Continued)

Collateral is required for demand deposits and certificates of deposit in excess of all deposits covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**Investments**

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, and repurchase agreements.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category B includes uninsured and unregistered investments for which the securities are held by the Trust department or agent in the City's name. Category C includes uninsured and unregistered investments for which securities are held by the Trust department but not in the City's name. STAROhio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investment Type</u>	<u>Investment Maturities</u> <u>(in Years)</u>	<u>Credit</u> <u>Rating</u>	<u>Fair Value</u>
STAROhio	Not Categorized	AAA	<u>\$4,758,388</u>

***Credit Risk*** Standard and Poor's has assigned STAROhio an AAA rating. The City does not have a formal policy limiting credit risk.

***Concentration of Credit Risk*** Credit risk also can arise in the wake of a failure to adequately diversify investments. The City places no limit on the amount that may be invested in any one issuer.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

	<u>Reconciliation to Balance Sheet</u>
City's Deposits	\$ 1,204,460
Petty Cash and Drawer Change	495
Investments	<u>4,758,388</u>
Total	<u>\$ 5,963,343</u>
Per Balance Sheet:	
Government-wide Statement of Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 5,821,427
Cash and Cash Equivalents in Segregated Accounts	1,481
Statement of Fiduciary Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	118,632
Cash and Cash Equivalents in Segregated Accounts	<u>21,803</u>
Total	<u>\$ 5,963,343</u>

NOTE 5: **RECEIVABLES**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accounts (billings for utility service), and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2009 real property taxes are collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 5: **RECEIVABLES** (Continued)

**Property Taxes** (Continued)

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.85 for Huron County and \$4.75 for Sandusky County per \$1,000 of assessed valuation for real property classified as residential/agricultural, and \$5.27 for Huron County and \$5.99 for Sandusky County per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

	<u>Sandusky County</u>	<u>Huron County</u>
Real Property - 2008 Valuation		
Residential/Agricultural	\$ 61,841,700	\$ 38,964,360
Public Utilities	13,900	527,810
Commercial/Industrial	<u>12,529,610</u>	<u>15,311,020</u>
Total Real Property	<u>74,385,210</u>	<u>54,803,190</u>
Tangible Personal Property - 2009 Valuation		
Public Utilities	<u>1,240,880</u>	<u>2,054,960</u>
Total Personal Property	<u>1,240,880</u>	<u>2,054,960</u>
<b>Total Assessed Valuation</b>	<b><u>\$ 75,626,090</u></b>	<b><u>\$ 56,858,150</u></b>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.



**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 5: **RECEIVABLES** (Continued)

**Property Taxes** (Continued)

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellevue. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor were they levied to finance 2009 operations. The receivable is therefore offset by deferred revenue.

**Income Taxes**

The City levies a 1.5 percent income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

The income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service, and other governmental functions when needed, as determined by Council.

**Due from Other Governments**

A summary of due from other governments follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government and Local Government Revenue Assistance	\$ 180,978
Homestead and Rollback	40,262
Gasoline and Excise Tax	165,866
Motor Vehicle License Fees	36,731
Permissive Motor Vehicle License Tax	24,460
Total Governmental Activities	<u>\$ 448,297</u>

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

**NOTE 6: REVOLVING LOAN PROGRAM**

In September 2009, the City began administering the revolving loan program which had been performed by the Bellevue Development Corporation (BDC), a non-profit organization. The revolving loan program offers incentives in the form of low-interest revolving loans, deferred loan payments, and interest and tax abatements which are offered to attract prospective firms. The City loans money for the purchase or improvement of industrial sites. The following notes receivable are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2009 were as follows:

	<u>Rate</u>	<u>Beginning Balance</u>	<u>Issuance</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Maturity Date</u>
Down Home Foods	5%	\$ 19,556	\$ 0	\$ 19,556	\$ 0	2009
Team Ray Motorsports	5%	0	50,000	4,277	45,723	2019
KMH Properties	5%	25,759	0	13,230	12,529	2016
Shear Illusions	5%	16,756	0	1,752	15,004	2010
Selbro, Inc.	3%	162,885	0	9,203	153,682	2015
Woodshed Steakhouse	3.5%	172,716	0	9,235	163,481	2018
Precision II	5%	136,390	0	64,897	71,493	2011
<b>Totals</b>		<u>\$ 534,062</u>	<u>\$ 50,000</u>	<u>\$ 122,150</u>	<u>\$ 461,912</u>	

**NOTE 7: RISK MANAGEMENT**

Starting in 2009, the City provides employee medical/vision/prescription drug benefits through a self-insured plan. The plan provides medical/vision/prescription drug benefits, which are 100 percent paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible followed by a 10 percent employee co-payment. A third party administrator, Klais & Company, Inc., Akron, Ohio, reviews, processes, and pays all claims. The City purchased stop-loss coverage of \$500,00 per individual from Sun Life through OME-RESA Health Benefits. There is an internal pool from \$35,000 to \$499,999 for stop loss coverage. The medical premiums are paid by the City at a rate of 90 percent for fire and non-union employees, and at a rate of 95 percent for police and 100 percent for the Service Department. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Vision/Prescription Drug	\$ 1,630.41	\$ 717.38
Medical/Vision/Prescription Drug - Fire	1,452.36	639.04

**CITY OF BELLEVUE, OHIO  
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(CONTINUED)**

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

The liability for unpaid claims of \$58,398 reported in the General Fund at December 31, 2009, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Claim Payments</u>	<u>End of Year</u>
2009	\$ 0	\$ 498,732	\$ (440,334)	\$ 58,398

The City is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the City contracted through Wells Fargo Insurance Company for property, fleet, crime, and liability insurance. Coverage provided is as follows:

Building and Contents -		
Replacement Cost	\$2,500 Deductible, 90% Co-insured	\$ 36,500,316
General Liability	Per Occurrence Limit	\$ 1,000,000
General Liability	Aggregate	\$ 2,000,000
Public Officials Liability	Aggregate/Each Claim	\$ 1,000,000
Law Enforcement	\$10,000 Deductible	\$ 1,000,000
Firefighter	\$5,000 Deductible	\$ 5,000,000
Automobile - Comprehensive	\$500 Deductible	\$ 1,000,000
Collision	\$500 Deductible	\$ 1,000,000
Inland Marine	\$500 Deductible	\$ 2,012,954
Boiler and Machinery	\$1,000 Deductible	Various
Electronic Data Processing	\$500 Deductible - Replacement Cost	\$ 427,311
Blanket Bond	\$50,000 Per Occurrence	
Umbrella	Per Occurrence/Aggregate	\$ 4,000,000
Public Employee Dishonesty	\$500 Deductible/Per Loss	\$ 50,000
Theft Disappearance	\$500 Deduction - Outside and Inside	\$ 5,000

Real property and contents are 90 percent co-insured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from last year.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 is as follows:

	Balance 12/31/2008	Additions	Retirements	Balance 12/31/2009
<b>Governmental Activities</b>				
Land	\$ 719,694	\$ 0	\$ 0	\$ 719,694
Land Improvements	211,090	10,000	0	221,090
Buildings	5,615,164	0	0	5,615,164
Furniture and Equipment	2,771,719	55,888	0	2,827,607
Vehicles	2,987,728	27,981	0	3,015,709
Infrastructure:				
Street Base	4,233,353	0	0	4,233,353
Street Surface	4,512,856	159,764	0	4,672,620
Street Storm Sewers	1,239,282	0	0	1,239,282
Street Lighting	2,667,190	0	0	2,667,190
<b>Total Capital Assets - Governmental Activities</b>	<u>24,958,076</u>	<u>253,633</u>	<u>0</u>	<u>25,211,709</u>
Less Accumulated Depreciation:				
Land Improvements	(83,462)	(12,422)	0	(95,884)
Buildings	(2,079,783)	(140,379)	0	(2,220,162)
Furniture and Equipment	(1,919,104)	(194,051)	0	(2,113,155)
Vehicles	(2,439,793)	(127,611)	0	(2,567,404)
Infrastructure:				
Street Base	(1,317,645)	(49,043)	0	(1,366,688)
Street Surface	(2,211,717)	(82,320)	0	(2,294,037)
Street Storm Sewers	(388,425)	(14,457)	0	(402,882)
Street Lighting	(385,149)	(14,335)	0	(399,484)
Total Accumulated Depreciation	<u>(10,825,078)</u>	<u>(634,618)</u>	<u>0</u>	<u>(11,459,696)</u>
<b>Total Capital Assets - Governmental Activities, Net</b>	<u>\$ 14,132,998</u>	<u>\$ (380,985)</u>	<u>\$ 0</u>	<u>\$ 13,752,013</u>
<b>Business-type Activities</b>				
<u>Water Fund</u>				
Land	\$ 3,474,890	\$ 0	\$ 0	\$ 3,474,890
Buildings	3,661,643	0	0	3,661,643
Equipment and Machinery	1,719,074	7,697	0	1,726,771
Vehicles	135,132	0	0	135,132
Infrastructure	12,202,196	1,056,317	0	13,258,513
Total Capital Assets - Water Fund	21,192,935	1,064,014	0	22,256,949
Less Accumulated Depreciation	<u>(8,287,181)</u>	<u>(438,254)</u>	<u>0</u>	<u>(8,725,435)</u>
<b>Total Capital Assets - Business-type Activities - Water Fund, Net</b>	<u>\$ 12,905,754</u>	<u>\$ 625,760</u>	<u>\$ 0</u>	<u>\$ 13,531,514</u>
<b>Business-type Activities</b>				
<u>Wastewater Pollution Fund</u>				
Land	\$ 58,060	\$ 0	\$ 0	\$ 58,060
Buildings	13,149,298	0	0	13,149,298
Equipment and Machinery	2,518,240	7,641	0	2,525,881
Vehicles	93,632	0	0	93,632
Infrastructure	4,326,521	0	0	4,326,521
Total Capital Assets - Wastewater Pollution Fund	20,145,751	7,641	0	20,153,392
Less Accumulated Depreciation	<u>(10,358,751)</u>	<u>(654,128)</u>	<u>0</u>	<u>(11,012,879)</u>
<b>Total Capital Assets - Business-type Activities - Wastewater Pollution Fund, Net</b>	<u>\$ 9,787,000</u>	<u>\$ (646,487)</u>	<u>\$ 0</u>	<u>\$ 9,140,513</u>

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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NOTE 8: **CAPITAL ASSETS** (Continued)

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$ 1,739
Security of Persons and Places	101,023
Public Health and Welfare	2,835
Leisure Time Activities	37,089
Transportation	319,014
Basic Utilities	160,213
Community Environment	<u>12,705</u>
<b>Total Depreciation Expense</b>	<b><u>\$ 634,618</u></b>

NOTE 9: **COMPENSATED ABSENCES**

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at 90 per cent, up to 40 hours per year, provided the total accrued and unused sick leave hours does not fall below a certain level of minimum hours as specified in the union contract. Employees, other than police patrolmen, who have one year of service, are entitled to receive pay for all accrued but unused sick leave upon resignation or retirement at 90 per cent of the value. At December 31, 2009, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations approximated \$602,857.

A liability has been recognized in the accompanying financial statements for sick leave for employees (other than police officers) who have one year of service at 90 percent of the current value of the sick leave earned, except for those with years of service making them eligible for retirement for which 100 percent of the current value of the sick leave balances has been used.

A liability for accrued compensatory time, holiday, personal leave, and vacation for \$189,990 has been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts. Vacation leave may be accumulated up to a maximum of three times the employees' annual vacation allowance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 10: LONG-TERM LIABILITIES**

	Principal Outstanding <u>12/31/2008</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>12/31/2009</u>	Amounts Due in <u>One Year</u>
<b><u>Governmental Activities</u></b>					
Governmental - Municipal Building					
Bonds, Issued 1999, 5.8%	\$ 1,335,000	\$ 0	\$ 90,000	\$ 1,245,000	\$ 95,000
Compensated Absences Payable	<u>631,979</u>	<u>0</u>	<u>48,330</u>	<u>583,649</u>	<u>155,955</u>
<b>Total Debt - Governmental Activities</b>	<b><u>\$ 1,966,979</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 138,330</u></b>	<b><u>\$ 1,828,649</u></b>	<b><u>\$ 250,955</u></b>
<b><u>Business-type Activities</u></b>					
OWDA Loans - issued 7/6/93, 4.8%	\$ 1,583,917	\$ 0	\$ 287,465	\$ 1,296,452	\$ 301,430
issued 5/27/04, 2.5%	7,163,720	0	295,278	6,868,442	317,247
Compensated Absences Payable	<u>204,356</u>	<u>15,514</u>	<u>10,672</u>	<u>209,198</u>	<u>53,908</u>
<b>Total Debt - Business-type Activities</b>	<b><u>\$ 8,951,993</u></b>	<b><u>\$ 15,514</u></b>	<b><u>\$ 593,415</u></b>	<b><u>\$ 8,374,092</u></b>	<b><u>\$ 672,585</u></b>

Outstanding general obligation bonds consist of a municipal building issue. General obligation bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City.

The outstanding OWDA loans consist of loan agreements between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loans will be paid from resources of the Wastewater Pollution Fund.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2009, including total interest payments of \$2,228,396 are as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	<u>OWDA Loan</u>
2010	\$ 166,640	\$ 847,073
2011	166,700	847,073
2012	165,900	847,073
2013	169,810	847,073
2014	168,140	486,988
2015-2019	838,470	2,434,937
2020-2024	0	2,434,940
2025-2026	<u>0</u>	<u>1,217,473</u>
Total Principal and Interest	1,675,660	9,962,630
Less: Interest Expense	<u>(430,660)</u>	<u>(1,797,736)</u>
<b>Total Principal</b>	<b><u>\$ 1,245,000</u></b>	<b><u>\$ 8,164,894</u></b>

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 11: CONDUIT DEBT**

To provide for the acquisition, construction, and equipping of a replacement acute care hospital in the City and other hospital facilities, the City issued Hospital Revenue Bonds dated August 26, 2004. These bonds are special limited obligations of the City, payable solely from the revenues, as defined in the Bond Indenture, and other amounts derived from its ownership, leasing, sale, or subleasing of the existing facilities. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. As of December 31, 2009, Hospital Facilities Revenue Bonds outstanding aggregated amount is \$9,640,000.

**NOTE 12: PENSION PLANS**

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: a Traditional Pension Plan (TP), a Member-Directed Plan (MD), and a Combined Plan (CO). The TP Plan is a cost-sharing, multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings thereon. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the TP and the CO plans. Members of the MD Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377, or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 12: **PENSION PLANS** (Continued)

**Ohio Public Employees Retirement System (OPERS)** (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contribution rates were consistent across all three plans. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer contribution rate for the City is 14 percent of covered payroll. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2009, 2008, and 2007 were \$294,407, \$346,192, and \$342,461, respectively. The full amount has been contributed for 2007 and 2008 and 92 percent has been contributed for 2009.

**Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at [www.op-f.org](http://www.op-f.org).

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50 percent and 24.00 percent, respectively, for police officers and firefighters. The City's contributions to OP&F for police and firefighters were \$131,578 and \$93,998 for the year ending December 31, 2009, \$130,549 and \$113,245 for the year ending December 31, 2008, and \$138,377 and \$104,589 for the year ending December 31, 2007. 91 percent and 94 percent, respectively, has been contributed for 2009. 100 percent has been contributed for 2008 and 2007.



**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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NOTE 13: **POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension Plan and the Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

**Funding Policy** - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, the City contributed at 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll. Active members do not make contributions to the OPEB Plan.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

**Ohio Public Employees Retirement System (OPERS)** (Continued)

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 7.00 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009. The OPERS Retirement Board is authorized to establish rules for the payment of a portion of health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**Information from the City's Records**

The City's required contributions to OPERS that were used to fund post-employment benefits for the years ending December 31, 2009, 2008, and 2007, were \$172,042, \$173,096, and \$178,627, respectively. The actual contribution and the actuarially required contribution amount are the same.

**OPERS Retirement Board Implements its Health Care Preservation Plan**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

**Ohio Police and Firemen's Disability and Pension Fund**

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund's (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by the OP&F. OP&F provides health care benefits, including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

The OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

**Ohio Police and Firemen's Disability and Pension Fund** (Continued)

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F's Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information of the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - The Ohio Revised Code provides for contributions requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll for active pension members, currently 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One account is for health care benefits under IRS Code Section 115 Trust and one account is for Medicare Plan B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan for the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

**Ohio Police and Firemen's Disability and Pension Fund** (Continued)

**Information from the City's Records**

The City's contributions to OP&F were \$131,538 for police and \$93,948 for fire for the year ending December 31, 2009; \$142,218 for police and \$101,576 for fire for the year ending December 31, 2008, and \$141,735 for police and \$101,231 for fire for the year ending December 31, 2007, respectively, was allocated to the health care plan.

NOTE 14: **CONTINGENT LIABILITIES**

A. **Federal and State Grants**

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

B. **Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Law Director, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 15: **INSURANCE POOLS**

**Ohio Rural Water Association Workers' Compensation Group Rating Plan**

The City participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan was established through the Ohio Rural Water Association (ORWA) as an insurance purchasing pool.

CompManagement, Inc. serves as the managed care organization for the plan. Each year, the participating members pay an enrollment fee to ORWA to cover the costs of administering the program. Employee health benefits are provided through a private carrier.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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**NOTE 16: INTERFUND TRANSFERS**

The following interfund transfers were made during 2009:

<b>Transfers Out</b>		
General		\$ <u>526,320</u>
<b>Transfers In</b>		
Street Fund		\$ 100,000
Cemetery		80,000
Capital Improvement		50,000
Street Sweeper Fund		5,000
Police Pension		75,000
Fire Pension		50,000
Bone Retirement City Complex		<u>166,320</u>
<b>Total Transfers In</b>		<b>\$ <u>526,320</u></b>

Transfers were made from the General Fund to Other Governmental Funds to subsidize various activities in other funds.

**NOTE 17: PRIOR PERIOD ADJUSTMENT**

In 2009, it was determined that the Cemetery Endowment Fund, the Community Endowment Fund, and the Community Endowment II Fund, which are Permanent Funds, are Private Trust Funds. Private Trust Funds are defined as funds that have trust arrangements under which principal or interest benefit specific individuals, private organizations, or other governments. The following prior year reclassification adjustments are made to net assets:

	Other Governmental Funds	Governmental Activities	Fiduciary Funds
Unadjusted Fund Balance/Net Assets, December 31, 2008	\$ 3,271,930	\$ 18,489,063	\$ 30,814
Endowment Funds Reclassified	<u>(77,231)</u>	<u>(77,231)</u>	<u>77,231</u>
<b>Restated Fund Balance/Net Assets, December 31, 2008</b>	<b><u>\$ 3,194,699</u></b>	<b><u>\$ 18,411,832</u></b>	<b><u>\$ 108,045</u></b>

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(CONTINUED)**

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**NOTE 18: CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2009, the City implemented GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

The implementation of GASB Statement No. 52 did not affect the presentation of the financial statements of the City.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council  
City of Bellevue, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Bellevue, Ohio's basic financial statements and have issued our report thereon dated June 11, 2010, which was qualified due to our inability to obtain sufficient evidential matter supporting amounts reported for capital assets, accumulated depreciation, depreciation expense, and related net assets restrictions in the governmental activities and business-type activities. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Bellevue, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bellevue, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue, Ohio'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely on a timely basis. We consider **Finding 2009-1** described in the accompanying Schedule of Findings to be a material weakness.


### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bellevue, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Bellevue, Ohio, in a separate letter dated June 11, 2010.

The City of Bellevue, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City of Bellevue, Ohio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, the Audit Committee, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 11, 2010



**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2009**

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**Finding 2009-1 - Material Weakness - Capital Assets**

Statement of Condition

During our review of capital assets, we noted that the City does not maintain a comprehensive written capital asset policy or comprehensive records to account for capital asset balances, additions, deletions, and accumulated depreciation. We also noted that the City does not apply depreciation methods and useful lives to each capital asset.

Criteria

The City should maintain a comprehensive capital asset listing and track deletions and depreciation, as well as a capital asset addition and deletion policy

Cause/Effect

Failure to maintain or update capital asset listing when assets are purchased or deleted eliminates the ability of the City to accurately present the value of its capital assets. This could result in the overstatement or understatement of capital assets, related accumulated depreciation, depreciation expense and investment in capital assets, net of related debt.

Recommendation

We recommend that the City develop a centralized capital asset policy that includes a capital asset recording threshold; a method of recording depreciation which includes the date the asset was placed in service and the point at which depreciation will begin (i.e., half year, full year, month or day) whenever an item is placed into service, salvage value (if any), and useful life of the asset; appropriate documentation forms for the addition, deletion, or movement of an asset from one department/function to another with approval for deletion by City Council recorded in the City's minute records; maintain a detailed asset list by asset class (i.e., buildings, vehicles, etc.) and by department/function which will assist in the preparation of the City's basic financial statements. The list should also accurately reflect all current and accumulated depreciation, City affixed tag numbers, serial numbers (where applicable), date asset placed into service, salvage value, market value, etc., perform a physical count of capital assets to ensure all appropriate assets are properly included or excluded on the capital asset list and then perform periodic physical counts, at least bi-annually, to ensure the capital asset list properly reflects the City's capital assets and department utilizing the asset.

Client Response/Corrective Action Plan

The City Engineer has all historical costs for governmental activities infrastructure but is in the process of updating business activities infrastructure and buildings. The City believes that it has support from the GAAP work to put together the asset listing as of December 31, 2010.

**CITY OF BELLEVUE, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Corrected; Significantly Different Corrective Action Taken; or Finding no longer valid: Explanation</u>
2008-1	Material weakness regarding lack of capital asset support	No	Not corrected - repeated as Finding 2009-1 in this report.
2008-2	Significant Deficiency regarding payroll	Yes	
2008-3	Significant deficiency regarding accounts payable and expenditures	Yes	

Management letter comments have been corrected or repeated in the current audit report.



**Mary Taylor, CPA**  
Auditor of State

**CITY OF BELLEVUE**

**HURON 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 24, 2010**