

**CITY OF BELLEVUE, OHIO  
HURON COUNTY**

**SINGLE AUDIT REPORT AND BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**





Mary Taylor, CPA  
Auditor of State

Honorable Mayor, City Auditor,  
Members of City Council and  
Audit Committee  
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, 2005 through December 31, 2005. 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

February 8, 2007

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**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
SINGLE AUDIT REPORT AND BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**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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(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, City Auditor,  
Members of City Council,  
and the Audit Committee  
City of Bellevue, Ohio

The Honorable Betty Montgomery  
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, 2005, which collectively comprise the City of Bellevue, Ohio'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 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, business-type activities, the Wastewater Pollution Fund and the Water Fund.

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, the Wastewater Pollution Fund, and the Water Fund, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows therefore 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 November 9, 2006 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, 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.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

November 9, 2006



**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review 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 2005 are as follows:

- The City's net assets decreased \$0.3 million as a result of this year's operations. The net assets of our governmental activities decreased \$2.7 million or 18.22 percent, and net assets for our business-type activities increased \$2.4 million or 15.93 percent.
- During the year, the City had expenses for governmental activities in the amount of \$10.0 million, which exceeded program and other revenues of \$7.3 million. Business-type activities applied program revenues of \$6.6 million to \$4.2 million of expenses in 2005.

**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 City, the general fund is by far the most significant fund.

**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 2005?" 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.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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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 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, Economic Development, 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 funds are the General Fund, the Bellevue Development Corporation, and the North Bellevue Industrial Area Project.

*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 you 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.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

**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 2005:

**Table 1 - Net Assets (in Millions)**

	<u>Governmental Activities</u> 2005	<u>Business- Type Activities</u> 2005	<u>Total 2005</u>	<u>Total 2004 Restated</u>
<b><u>Assets</u></b>				
Current and Other Assets	\$ 7.7	\$ 4.8	\$ 12.5	\$ 15.9
Capital Assets	<u>8.0</u>	<u>22.4</u>	<u>30.4</u>	<u>22.2</u>
<b>Total Assets</b>	<b><u>\$ 15.7</u></b>	<b><u>\$ 27.2</u></b>	<b><u>\$ 42.9</u></b>	<b><u>\$ 38.1</u></b>
<b><u>Liabilities</u></b>				
Other Liabilities	\$ 1.4	\$ 0.3	\$ 1.7	\$ 1.1
Long-Term Liabilities	<u>2.2</u>	<u>9.0</u>	<u>11.2</u>	<u>6.7</u>
<b>Total Liabilities</b>	<b><u>3.6</u></b>	<b><u>9.3</u></b>	<b><u>12.9</u></b>	<b><u>7.8</u></b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets, Net of Debt	6.4	13.7	20.1	16.4
Restricted	3.0	0.0	3.0	5.8
Unrestricted (Deficit)	<u>2.7</u>	<u>4.2</u>	<u>6.9</u>	<u>8.1</u>
<b>Total Net Assets</b>	<b><u>\$ 12.1</u></b>	<b><u>\$ 17.9</u></b>	<b><u>\$ 30.0</u></b>	<b><u>\$ 30.3</u></b>

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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Table 2 shows the changes in net assets for 2005.

**Table 2 - Changes in Net Assets (in Millions)**

	Governmental Activities <u>2005</u>	Business- Type Activities <u>2005</u>	Total 2005	Total 2004 Restated
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 0.7	\$ 4.0	\$ 4.7	\$ 3.7
Operating Grants	0.7	0.0	0.7	2.0
Capital Grants	0.6	2.6	3.2	0.2
General Revenue:				
Municipal Income Taxes	3.3	0.0	3.3	3.2
Property Taxes	0.6	0.0	0.6	0.8
Grants and Entitlements	0.9	0.0	0.9	0.6
Unrestricted Investment Earnings	0.2	0.0	0.2	0.2
Other	0.3	0.0	0.3	0.3
<b>Total Revenues</b>	<u>7.3</u>	<u>6.6</u>	<u>13.9</u>	<u>11.0</u>
<b>Program Expenses</b>				
General Government:				
Legislative and Executive	1.7	0.0	1.7	1.6
Judicial	0.2	0.0	0.2	0.2
Security of Persons and Property	2.7	0.0	2.7	2.5
Public Health and Welfare	0.3	0.0	0.3	0.3
Transportation	1.0	0.0	1.0	0.8
Community Environment	0.9	0.0	0.9	0.4
Basic Utilities	2.6	0.0	2.6	0.1
Leisure Time Activities	0.5	0.0	0.5	0.3
Interest and Fiscal Charges	0.1	0.0	0.1	0.1
Water Fund	0.0	2.3	2.3	1.5
Sewer Fund	0.0	1.9	1.9	1.6
<b>Total Expenses</b>	<u>10.0</u>	<u>4.2</u>	<u>14.2</u>	<u>9.4</u>
Increase (Decrease) in Net Assets	<u>\$ (2.7)</u>	<u>\$ 2.4</u>	<u>\$ (0.3)</u>	<u>\$ 1.6</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 and Fire Pension. 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

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 \$35.00 annually in taxes. If three years later the home is reappraised and its value increases 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 \$35.00.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

Thus, the City depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 53.4 percent of revenues for governmental activities in calendar year 2005.

General Government Legislative and Executive comprise 17.0 percent of governmental program expenses. Interest expense was 1.0 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 2005	Net Cost of Services 2005	Net Cost of Services 2004
General Government:			
Legislative and Executive	\$ 1.7	\$ 1.4	\$ 1.6
Judicial	0.2	0.2	0.2
Security of Persons and Property	2.7	2.6	2.2
Public Health and Welfare	0.3	0.2	0.2
Transportation	1.0	0.5	0.3
Community Environment	0.9	0.2	(0.9)
Basic Utility	2.6	2.6	0.1
Leisure Time Activities	0.5	0.3	0.3
Interest and Fiscal Charges	0.1	0.1	0.1
<b>Total Expenses</b>	<u>\$ 10.0</u>	<u>\$ 8.1</u>	<u>\$ 4.1</u>

The dependence upon tax revenues for governmental activities is apparent. Over 53.0 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.

**Business-Type Activities**

Business-type activities include the water fund and the wastewater pollution fund. These programs had revenues of \$6.6 million and expenses of \$4.2 million for the year 2005. Business activities receive no support from tax revenues.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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**The City's Funds**

Information about the City's major funds starts on page 13. These funds are accounted in the Balance Sheet and the Statement of Revenue, Expenditures and Changes in Fund Balance using the modified accrual basis of accounting. All governmental funds had total revenues of \$9.4 million and expenditures of \$10.6 million. The General Fund, which is always a major fund, had a net decrease in fund balance of \$0.3 million. This decline indicated the City needed to increase its revenue base to continue meeting City obligations as a whole.

Another major fund is the Bellevue Development Corporation Fund, which accounts for revolving loans at low interest rates made to local businesses to stimulate employment and expansion. This fund is administered by the Bellevue Development Corporation, a non-profit corporation. The only source of revenue this year was interest on investments of \$46,366. The net change in the fund balance of the Bellevue Development Corporation Fund was a decrease of \$0.6 million that was mainly for new loans.

The North Bellevue Industrial Area Project Fund is another major fund in that the City spent \$2.8 million to improve infrastructure to several existing businesses and improve the industrial area for future business. The project, which was completed in 2005, was funded entirely by Federal and State grant dollars.

**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 the year 2005 the City amended its general fund budget numerous 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 \$5.7 million, the same amount as original budget estimates. This estimate was applied to the final budget amount of expenditures and encumbrances of \$5.8 million. Actual expenditures and encumbrances were \$4.7 million. The City's ending unobligated cash balance was \$1.8 million.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of the 2005 the City had \$30.4 million invested in land, buildings and improvements, equipment, vehicles and infrastructure. \$8.0 million is reported in the governmental activities and \$22.4 million is reported in business-type activities. Table 4 shows the 2005 balances.

**Table 4 - Capital Assets, Net of Accumulated Depreciation (in Millions)**

	Governmental 2005	Business- Type 2005	Total 2005	Total 2004 Restated
Land and Land Improvements	\$ 0.9	\$ 3.5	\$ 4.4	\$ 4.4
Construction in Progress	0.1	6.5	6.6	1.8
Buildings and Improvements	5.6	10.1	15.7	15.5
Furniture and Equipment	2.3	4.1	6.4	6.2
Vehicles	2.6	0.2	2.8	2.7
Infrastructure	1.9	13.4	15.3	10.7
Accumulated Depreciation	(5.4)	(15.4)	(20.8)	(19.4)
<b>Totals</b>	<u>\$ 8.0</u>	<u>\$ 22.4</u>	<u>\$ 30.4</u>	<u>\$ 21.9</u>

*Debt*

At December 31, 2005 the City had \$10.3 million in bonds and loans outstanding, \$0.6 million due within one year. Table 5 summarizes bond and loans outstanding.

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

	Governmental 2005	Business- Type 2005	Total 2005	Total 2004
General Obligation Bonds	\$ 1.6	\$ 0.0	\$ 1.6	\$ 1.7
O.W.D.A Loans	0.0	8.7	8.7	4.1
<b>Total</b>	<u>\$ 1.6</u>	<u>\$ 8.7</u>	<u>\$ 10.3</u>	<u>\$ 5.8</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 O.W.D.A. 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 Treatment fund. This year the City was approved for \$4.8 million in new loans, which the City is using for wastewater treatment construction.

**CITY OF BELLEVUE, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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**For the Future**

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

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, 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 e-mail: [auditor@cityofbellevue.com](mailto:auditor@cityofbellevue.com).



**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,893,743	\$ 4,311,703	\$ 8,205,446
Cash and Cash Equivalents:			
In Segregated Accounts	692,094	4,494	696,588
Receivables:			
Taxes	1,711,005	0	1,711,005
Accounts	56,025	476,577	532,602
Accrued Interest	2,899	0	2,899
Due from Other Governments	685,607	0	685,607
Prepaid Items	14,852	0	14,852
Material and Supplies Inventory	47,984	0	47,984
Notes Receivable	612,959	0	612,959
Capital assets, No Depreciation	820,041	10,070,451	10,890,492
Capital assets, net of depreciation	7,211,003	12,288,712	19,499,715
<b>Total Assets</b>	<b>\$ 15,748,212</b>	<b>\$ 27,151,937</b>	<b>\$42,900,149</b>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 507,300	\$ 174,499	\$ 681,799
Accrued Wages	53,263	15,930	69,193
Due to Other Governments	49,545	13,733	63,278
Deferred Revenue	810,480	0	810,480
Undistributed Monies	0	4,494	4,494
Accrued Interest Payable	7,301	128,403	135,704
Long-Term Liabilities:			
Due within one year	245,176	728,101	973,277
Due in more than one year	1,929,986	8,237,284	10,167,270
<b>Total Liabilities</b>	<b>3,603,051</b>	<b>9,302,444</b>	<b>12,905,495</b>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	6,441,044	13,682,331	20,123,375
Restricted for:			
Capital	1,369,138	0	1,369,138
Debt	24,377	0	24,377
Perpetual Care Unexpendable	6,760	0	6,760
Perpetual Care Expendable	47,877	0	47,877
Special Purposes	1,535,334	0	1,535,334
Unrestricted	2,720,631	4,167,162	6,887,793
<b>Total Net Assets</b>	<b>\$ 12,145,161</b>	<b>\$ 17,849,493</b>	<b>\$29,994,654</b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2005**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government:							
Legislative and Executive	\$ 1,694,503	\$ 323,613	\$ -	\$ -	\$ (1,370,890)	\$ -	\$ (1,370,890)
Judicial	234,438	0	0	0	(234,438)	0	(234,438)
Security of Persons and Property	2,656,568	70,774	14,352	18,442	(2,553,000)	0	(2,553,000)
Public Health and Welfare	311,808	121,448	0	0	(190,360)	0	(190,360)
Transportation	1,021,357	0	532,080	0	(489,277)	0	(489,277)
Community Environment	872,491	0	139,923	546,926	(185,642)	0	(185,642)
Basic Utility Services	2,596,427	0	0	0	(2,596,427)	0	(2,596,427)
Leisure Time Activities	495,709	135,101	9,799	0	(350,809)	0	(350,809)
Interest and Fiscal Charges	92,061	0	0	0	(92,061)	0	(92,061)
<b>Total Governmental Activities</b>	<b>9,975,362</b>	<b>650,936</b>	<b>696,154</b>	<b>565,368</b>	<b>(8,062,904)</b>	<b>0</b>	<b>(8,062,904)</b>
<b>Business-Type Activities:</b>							
Wastewater Pollution Fund	2,332,564	2,338,577	0	2,596,427	0	2,602,440	2,602,440
Sewer Fund	1,902,708	1,752,497	0	0	0	(150,211)	(150,211)
<b>Total Business-Type Activities</b>	<b>4,235,272</b>	<b>4,091,074</b>	<b>0</b>	<b>2,596,427</b>	<b>0</b>	<b>2,452,229</b>	<b>2,452,229</b>
<b>Total Primary Government</b>	<b>\$ 14,210,634</b>	<b>\$ 4,742,010</b>	<b>\$ 696,154</b>	<b>\$ 3,161,795</b>	<b>\$ (8,062,904)</b>	<b>\$ 2,452,229</b>	<b>\$ (5,610,675)</b>
<b>General Revenues</b>							
Taxes:							
Municipal Income Tax					3,269,079	0	3,269,079
Property Taxes, Levied for General Purposes					608,074	0	608,074
Grants and Contributions Biot Restricted to Specific Programs					868,302	0	868,302
Unrestricted Investment Earnings					296,098	0	296,098
Miscellaneous					314,796	0	314,796
<b>Total General Revenues</b>					<b>5,356,349</b>	<b>0</b>	<b>5,356,349</b>
Change in Net Assets					(2,706,555)	2,452,229	(254,326)
Net Assets - December 31, 2004, as Restated					14,851,716	15,397,264	30,248,980
<b>Net Assets - December 31, 2005</b>					<b>\$ 12,145,161</b>	<b>\$ 17,849,493</b>	<b>\$ 29,994,654</b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	General	Bellevue Development Corporation	N. Bellevue Industrial Area Project	Other Governmental Funds	Total Governmental Funds
<b><u>Assets and Other Debits</u></b>					
<b><u>Assets</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,161,474	\$ -	\$ -	\$ 1,732,269	\$ 3,893,743
Cash and Cash Equivalents in Segregated Accounts	495	691,599	0	0	692,094
Receivables:					
Taxes	1,160,368	0	0	550,637	1,711,005
Accounts	49,494	0	0	6,531	56,025
Accrued Interest	0	2,899	0	0	2,899
Due from Other Funds	1,678	0	0	0	1,678
Due from Other Governments	276,937	0	139,923	268,747	685,607
Prepaid Items	14,852	0	0	0	14,852
Material and Supplies Inventory	7,943	0	0	40,041	47,984
Notes Receivable	0	612,959	0	0	612,959
<b>Total Assets</b>	<b>\$ 3,673,241</b>	<b>\$ 1,307,457</b>	<b>\$ 139,923</b>	<b>\$ 2,598,225</b>	<b>\$ 7,718,846</b>
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 100,639	\$ -	\$ -	\$ 406,661	\$ 507,300
Accrued Wages	44,804	0	0	8,459	53,263
Due to Other Funds	0	0	0	1,678	1,678
Due to Other Governments	41,734	0	0	7,811	49,545
Deferred Revenue	1,081,653	1,113	139,923	742,961	1,965,650
<b>Total Liabilities</b>	<b>1,268,830</b>	<b>1,113</b>	<b>139,923</b>	<b>1,167,570</b>	<b>2,577,436</b>
<b><u>Fund Balances</u></b>					
Reserved for Notes Receivable	0	612,959	0	0	612,959
Reserved for Encumbrances	301,713	0	117,503	455,175	874,391
Reserved for Inventory	7,943	0	0	40,041	47,984
Reserved for Perpetual Care	0	0	0	6,760	6,760
Unreserved	2,094,755	0	0	0	2,094,755
Unreserved, Reported in:					
Special Revenue Funds	0	0	0	825,281	825,281
Debt Service Fund	0	0	0	23,377	23,377
Capital Projects Funds	0	693,385	(117,503)	16,854	592,736
Permanent Funds	0	0	0	63,167	63,167
<b>Total Fund Balances</b>	<b>2,404,411</b>	<b>1,306,344</b>	<b>0</b>	<b>1,430,655</b>	<b>5,141,410</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,673,241</b>	<b>\$ 1,307,457</b>	<b>\$ 139,923</b>	<b>\$ 2,598,225</b>	<b>\$ 7,718,846</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, 2005**

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<b>Total Governmental Fund Balances</b>		\$ 5,141,410
<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.		8,031,044
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	\$ 486,620	
Grants and Entitlements	625,295	
Property and Other Local Taxes	42,142	
Accrued Interest Receivable	<u>1,113</u>	
		1,155,170
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.		
Accrued Interest Payable	(7,301)	
Compensated Absences Payable	(585,162)	
General Obligation Bonds Payable	<u>(1,590,000)</u>	
		<u>(2,182,463)</u>
<b>Net Assets of Governmental Activities</b>		<b><u>\$ 12,145,161</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, 2005**

	General	Bellevue Development Corporation	N. Bellevue Industrial Area Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Municipal Income Tax	\$ 3,555,030	\$ -	\$ -	\$ -	\$ 3,555,030
Property and Other Taxes	297,807	0	0	529,495	827,302
Intergovernmental	620,594	0	2,610,077	519,840	3,750,511
Investment Income	232,985	46,366	0	16,997	296,348
Licenses and Permits	52,933	0	0	0	52,933
Fines and Forfeitures	92,346	0	0	28,044	120,390
Charges for Services	407,815	0	0	242,951	650,766
Miscellaneous	84,159	0	0	59,212	143,371
<b>Total Revenue</b>	<b>5,343,669</b>	<b>46,366</b>	<b>2,610,077</b>	<b>1,396,539</b>	<b>9,396,651</b>
<b>Expenditures</b>					
Current:					
General Government:					
Legislative and Executive	1,655,730	0	0	32,945	1,688,675
Judicial	241,606	0	0	3,449	245,055
Security of Persons and Property	2,097,426	0	0	594,808	2,692,234
Public Health and Welfare	238,159	0	0	94,560	332,719
Transportation	0	0	0	1,413,447	1,413,447
Community Environment	182,416	605,717	0	135,111	923,244
Basic Utilities	0	0	2,596,427	42,942	2,639,369
Leisure Time Activities	0	0	0	489,854	489,854
Debt Service:					
Principal Retirement	0	0	0	76,000	76,000
Interest and Fiscal Charges	0	0	0	92,350	92,350
<b>Total Expenditures</b>	<b>4,415,337</b>	<b>605,717</b>	<b>2,596,427</b>	<b>2,975,466</b>	<b>10,592,947</b>
Excess of Revenues Over (Under) Expenditures	928,332	(559,351)	13,650	(1,578,927)	(1,196,296)
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	1,252,889	1,252,889
Transfers Out	(1,244,398)	0	0	(8,491)	(1,252,889)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,244,398)</b>	<b>0</b>	<b>0</b>	<b>1,244,398</b>	<b>0</b>
Net Change in Fund Balance	(316,066)	(559,351)	13,650	(334,529)	(1,196,296)
Fund Balances (Deficit) at Beginning of Year	2,720,477	1,865,695	(13,650)	1,765,184	6,337,706
<b>Fund Balances End of Year</b>	<b>\$ 2,404,411</b>	<b>\$ 1,306,344</b>	<b>\$ -</b>	<b>\$ 1,430,655</b>	<b>\$ 5,141,410</b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2005**

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Net Change in Fund Balances - Total Governmental Funds \$(1,196,296)

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

Governmental funds report capital outlay 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	\$ 1,060,021	
Depreciation	<u>(502,493)</u>	
		557,528

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

Municipal Income Taxes	(285,951)	
Grants and Entitlements	(1,847,834)	
Delinquent Property Taxes	5,191	
Interest on Investments	<u>750</u>	
		(2,127,844)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 76,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 289

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.

Compensated Absences		<u>(16,232)</u>
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**Change in Net Assets of Governmental Activities \$ (2,706,555)**

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP) AND ACTUAL -**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues</u></b>				
Municipal Income Taxes	\$ 3,544,000	\$ 3,544,000	\$ 3,370,251	\$ (173,749)
Property Taxes	348,900	348,900	298,381	(50,519)
Charges for Services	408,000	408,000	407,073	(927)
Licenses and Permits	59,350	59,350	52,933	(6,417)
Fines and Forfeitures	109,500	109,500	94,347	(15,153)
Intergovernmental	868,795	868,795	618,548	(250,247)
Investment Income	325,000	325,000	232,985	(92,015)
Other	95,040	95,040	84,159	(10,881)
<b>Total Revenue</b>	<b>5,758,585</b>	<b>5,758,585</b>	<b>5,158,677</b>	<b>(599,908)</b>
<b><u>Expenditures</u></b>				
Current:				
General Government:				
Legislative and Executive	2,309,665	2,417,479	1,897,778	519,701
Judicial	324,560	331,050	242,516	88,534
Security of Persons and Property	2,453,100	2,488,224	2,099,068	389,156
Public Health and Welfare	317,400	317,548	241,648	75,900
Community Environment	233,240	238,930	214,922	24,008
<b>Total Expenditures</b>	<b>5,637,965</b>	<b>5,793,231</b>	<b>4,695,932</b>	<b>1,097,299</b>
Excess of Revenues Over (Under) Expenditures	120,620	(34,646)	462,745	497,391
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers - Out	(2,361,100)	(2,363,150)	(1,244,398)	1,118,752
<b>Total Other Financing Sources (Uses)</b>	<b>(2,361,100)</b>	<b>(2,363,150)</b>	<b>(1,244,398)</b>	<b>1,118,752</b>
Net Change in Fund Balance	(2,240,480)	(2,397,796)	(781,653)	1,616,143
Fund Balances at Beginning of Year	2,411,825	2,411,825	2,411,825	0
Prior Year Encumbrances Appropriated	145,966	145,966	145,966	0
<b>Fund Balances at End of Year</b>	<b>\$ 317,311</b>	<b>\$ 159,995</b>	<b>\$ 1,776,138</b>	<b>\$ 1,616,143</b>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater	
		Pollution Fund	Total
<b><u>Assets</u></b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,898,834	\$ 2,412,869	\$ 4,311,703
Cash and Cash Equivalents:			
In Segregated Accounts	4,494	0	4,494
Accounts Receivable	213,765	262,812	476,577
<b>Total Current Assets</b>	<b>2,117,093</b>	<b>2,675,681</b>	<b>4,792,774</b>
Capital Assets, (Not Depreciated)	3,474,890	6,595,561	10,070,451
Capital Assets, (Net of Accumulated Depreciation)	8,712,374	3,576,338	12,288,712
<b>Total Assets</b>	<b>\$ 14,304,357</b>	<b>\$ 12,847,580</b>	<b>\$ 27,151,937</b>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Accounts Payable	\$ 86,935	\$ 87,564	\$ 174,499
Accrued Wages	11,196	4,734	15,930
Accrued Interest Payable	0	128,403	128,403
Compensated Absences Payable	119,043	56,681	175,724
Due to Other Governments	9,120	4,613	13,733
Undistributed Monies	4,494	0	4,494
OWDA Loan Payable	0	552,377	552,377
<b>Total Current Liabilities</b>	<b>230,788</b>	<b>834,372</b>	<b>1,065,160</b>
Long-Term Liabilities:			
Compensated Absences Payable	107,267	5,562	112,829
OWDA Loan Payable	0	8,124,455	8,124,455
<b>Total Long-Term Liabilities</b>	<b>107,267</b>	<b>8,130,017</b>	<b>8,237,284</b>
<b>Total Liabilities</b>	<b>338,055</b>	<b>8,964,389</b>	<b>9,302,444</b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	12,187,264	1,495,067	13,682,331
Unrestricted	1,779,038	2,388,124	4,167,162
<b>Total Net Assets</b>	<b>\$ 13,966,302</b>	<b>\$ 3,883,191</b>	<b>\$ 17,849,493</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, 2005**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater	Totals
		Pollution Fund	
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 1,977,383	\$ 1,718,709	\$ 3,696,092
Other Operating Revenues	351,753	28,445	380,198
<b>Total Operating Revenues</b>	<u>2,329,136</u>	<u>1,747,154</u>	<u>4,076,290</u>
<b><u>Operating Expenses</u></b>			
Personal Services	899,717	466,256	1,365,973
Contractual Services	530,467	320,549	851,016
Materials and Supplies	348,999	246,732	595,731
Other Operating Expense	165,584	170,844	336,428
Depreciation	387,797	461,257	849,054
<b>Total Operating Expenses</b>	<u>2,332,564</u>	<u>1,665,638</u>	<u>3,998,202</u>
Operating Income (Loss)	<u>(3,428)</u>	<u>81,516</u>	<u>78,088</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Capital Donation	2,596,427	0	2,596,427
Tap-In Fees	9,441	5,343	14,784
Interest and Fiscal Charges	-	(237,070)	(237,070)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>2,605,868</u>	<u>(231,727)</u>	<u>2,374,141</u>
Change in Net Assets	2,602,440	(150,211)	2,452,229
Total Net Assets at Beginning of Year, As Restated	<u>11,363,862</u>	<u>4,033,402</u>	<u>15,397,264</u>
<b>Total Net Assets at End of Year</b>	<u>\$ 13,966,302</u>	<u>\$ 3,883,191</u>	<u>\$ 17,849,493</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

	Business-Type Activities - Enterprise Fund		
	Water Fund	Wastewater Pollution Fund	Total
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received for Services	\$ 1,767,655	\$ 1,817,770	\$ 3,585,425
Cash Received from Other Operating Sources	351,753	28,445	380,198
Cash Payments to Suppliers for Goods and Services	(788,947)	(482,189)	(1,271,136)
Cash Payments to Employees for Services	(889,959)	(558,579)	(1,448,538)
Cash Payments for Other Purposes	0	(170,844)	(170,844)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>440,502</b>	<b>634,603</b>	<b>1,075,105</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Tap-In Fees	9,441	5,343	14,784
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>9,441</b>	<b>5,343</b>	<b>14,784</b>
<b><u>Cash Flows from Capital &amp; Related Financing Activities</u></b>			
Proceeds of OWDA Loan	0	4,818,675	4,818,675
Payment of OWDA Loans	0	(243,493)	(243,493)
Payments for Capital Acquisitions	(1,082,090)	(4,845,540)	(5,927,630)
Interest Paid	0	(116,592)	(116,592)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(1,082,090)</b>	<b>(386,950)</b>	<b>(1,469,040)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(632,147)	252,996	(379,151)
Cash and Cash Equivalents Beginning of Year	2,535,475	2,159,873	4,695,348
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 1,903,328</b>	<b>\$ 2,412,869</b>	<b>\$ 4,316,197</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>			
Operating Income (Loss)	\$ (3,428)	\$ 81,516	\$ 78,088
Adjustments:			
Net Cash from Operating Activities:			
Depreciation Expense	387,797	461,257	849,054
(Increase) Decrease in Assets:			
Accounts Receivable	11,511	99,061	110,572
Materials and Supplies inventory	0	22,829	22,829
Increase (Decrease) in Liabilities:			
Accounts Payable	30,827	62,263	93,090
Accrued Wages and Benefits	(358)	661	303
Compensated Absences Payable	15,710	(93,229)	(77,519)
Due to Other Governments	(5,594)	245	(5,349)
Undistributed Monies	4,037	0	4,037
Total Adjustments	443,930	553,087	997,017
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 440,502</b>	<b>\$ 634,603</b>	<b>\$ 1,075,105</b>
<b><u>Noncash Investing, Capital, and Financing Activities</u></b>			
Contribution of Capital Assets from Government	\$ 2,596,427	\$ -	\$ 2,596,427

See accompanying notes to the basic financial statements.

**CITY OF BELLEVUE, OHIO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2005**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$ 29,643	\$ 1,784
Cash and Cash Equivalents in Segregated Accounts	0	3,679
Accounts Receivable	<u>0</u>	<u>558</u>
<b>Total Assets</b>	<b><u><u>\$ 29,643</u></u></b>	<b><u><u>\$ 6,021</u></u></b>
<b><u>Liabilities</u></b>		
Undistributed Monies	<u>\$ 0</u>	<u>\$ 6,021</u>
<b>Total Liabilities</b>	<u>0</u>	<u>6,021</u>
<b><u>Net Assets</u></b>		
Unrestricted:		
Undesignated	<u>29,643</u>	
<b>Total Net Assets</b>	<b><u><u>\$ 29,643</u></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, 2005**

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	Private Purpose Trust
<b><u>Additions</u></b>	
Interest Income	\$ 958
<b>Total Additions</b>	<b>958</b>
 <b><u>Deductions</u></b>	
Other Operating Expenses	6,548
<b>Total Deductions</b>	<b>6,548</b>
Change in Net Assets	(5,590)
 Net Assets Beginning of Year	 35,233
 <b>Net Assets End of Year</b>	 <b>\$ 29,643</b>

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, 2005**

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

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.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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; the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that fiscally depend 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 included as a major fund the assets and operations of the City's revolving loan program, which is administered by the Bellevue Development Corporation, a nonprofit corporation. The City has not included the Bellevue City School District as it has no control over operations and 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, 2005**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Basis of Presentation**

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. The more significant of the City's accounting policies are described below:

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 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  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. 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 detail 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.

**C. 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, the Bellevue Development Corporation Fund, and the North Bellevue Industrial Area Project Fund are the City's major governmental funds:

**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 balances are available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bellevue Development Corporation** – The Bellevue Development Corporation Fund is used to account for revolving loans at low interest rates made to local businesses to stimulate employment and expansion.

**CITY OF BELLEVUE, OHIO  
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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Fund Accounting** (Continued)

North Bellevue Industrial Area Project – The North Bellevue Industrial Area Project fund is used to account for a U.S. Department of Commerce grant in the amount of \$1,671,000 to improve infrastructure to several existing businesses and a new industrial park. The project was completed in 2005. The total project cost was \$2,815,877.

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.

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 focus 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 or pension trust funds.



**CITY OF BELLEVUE, OHIO  
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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. 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 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.

**E. 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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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **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 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, 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 have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 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.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **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.

F. **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 and department level. Line item appropriations may be transferred between the accounts with the approval of the city auditor, mayor, or safety service 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 2005.

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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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **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 2005.

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.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. 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 2005, investments were limited to certificates of deposit, money market accounts, passbook accounts and STAROhio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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 year 2005 amounted to \$232,985 which included \$161,074 assigned from other funds of the City.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAROhio) during the year 2005. 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 STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

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 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.

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**H. 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 expensed 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.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**J. 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 government 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 but only for the current year. The City anticipates adding all 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.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**J. Capital Assets** (Continued)

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities 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

**K. 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.

**L. 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 Statement No. 16 of the Governmental Accounting Standards Board, *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  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. **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.

M. **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, contractually required pension contributions 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.

N. **Fund Balance Reserves**

The City reserves those portions of fund balance 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 balance, which is available for appropriation in future periods. Fund balance reserves have been established for notes receivable, perpetual care memorials, encumbrances, and inventories of supplies and materials.



**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**O. 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.

**P. 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.

**Q. Interfund Activity**

Transfers between governmental and business-type activities on the government-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.

**R. 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 2005.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

S. **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 2: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS**

A. **Changes in Accounting Principles**

For fiscal year 2005, the City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks, credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 4.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries. The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the City.

B. **Restatement of Net Assets**

Net assets for the Water Fund were adjusted in the prior year by \$219,450 due to an understatement of capital assets as a result of an accounting error. The adjustment had the following effect on the beginning net assets of the Water Fund and total business-type activities.

	<u>Enterprise Fund</u>	<u>Business- Type Activities</u>
Net Assets at December 31, 2004, as reported	\$ 11,144,412	\$ 15,177,814
Adjustment: Restate Capital Assets	219,450	219,450
<b>Net Assets at December 31, 2004, as restated</b>	<b><u>\$ 11,363,862</u></b>	<b><u>\$15,397,264</u></b>

**CITY OF BELLEVUE, OHIO  
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FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 2: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS (Continued)**

**C. Appropriations Exceeding Estimated Resources**

Ohio Revised Code Section 5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure as certified by the County Budget Commission, or in the case of appeal, by the Board of Tax Appeals. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations for each fund do not exceed the total official estimate or amended official estimate. The City's appropriations exceeded estimated revenues in the following funds at December 31, 2005:

<u>Fund</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Excess</u>
<b><i>General Fund</i></b>	\$ 5,758,585	\$ 8,156,381	\$(2,397,796)
<b><i>Special Revenue Funds</i></b>			
Fund 202 State Highway Improvement	30,500	50,301	(19,801)
Fund 203 County Motor Vehicle	216,000	259,668	(43,668)
Fund 204 Municipal Motor Vehicle License	55,000	110,022	(55,022)
Fund 205 Cemetery Fund	122,000	122,287	(287)
Fund 206 Recreation Fund	438,878	473,499	(34,621)
Fund 213 Law Enforcement Forfeiture	0	1,500	(1,500)
Fund 225 Firefighters Grant Program	20,491	28,372	(7,881)
Fund 752 DUI/Law Enforcing Agency Fund	750	1,700	(950)
<b><i>Capital Projects Fund</i></b>			
Fund 304 Special Fire Equipment Fund	150,000	405,000	(255,000)
<b><i>Enterprise Funds</i></b>			
Fund 510 Water	3,291,500	4,793,743	(1,502,243)
<b><i>Fiduciary Fund</i></b>			
Fund 736 Cemetery Endowment Fund	3,000	13,000	(10,000)

**CITY OF BELLEVUE, OHIO  
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**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:

Net Change in Fund Balance	
<b><u>General Fund</u></b>	
Budget Basis	\$ (781,653)
Adjustments:	
Revenue Accruals:	
Accrued 2004, received in cash 2005	(123,205)
Accrued 2005, not yet received in Cash	292,740
Expenditure Accruals:	
Accrued 2005, not yet paid in cash	(58,243)
Accrued 2004, paid in cash 2005	(31,043)
Encumbrances	<u>385,338</u>
<b>GAAP Basis</b>	<b><u>\$ (316,066)</u></b>

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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;
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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

**Deposits** (Continued)

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); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days. Commercial paper must be issued by a corporation incorporated under the laws of the United States or any state and must be rated in the highest category by two nationally recognized rating agencies.

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

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.

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

**Deposits** - At June 30, 2005, the carrying amount of the City's deposits was \$3,000,809. Of the City's bank balance of \$3,120,582, \$768,753 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$2,351,829 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Included in the City's bank balance are deposits totaling \$691,579 that are under the control of the Bellevue Development Corporation.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits** (Continued)

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.

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 of Bellevue to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, and repurchase agreements.

***Investments*** 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 (in Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>
STAROhio	Not Categorized	AAA	\$ 5,935,836
Total Investments			<u>\$ 5,935,836</u>

**CITY OF BELLEVUE, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**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.

The classification of cash and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Fund Accounting.* Cash equivalents are defined as investments with original maturities of three months or less.

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	City	
	<u>Treasurer</u>	<u>Investments</u>
GASB Statement No. 9	\$ 8,937,140	\$ 0
Cash on Hand	(495)	0
STAROhio	<u>(5,935,836)</u>	<u>5,935,836</u>
Per GASB Statement No. 3	<u>\$ 3,000,809</u>	<u>\$ 5,935,836</u>

Amounts above include balances of the City’s revolving loan fund in the amount of \$691,599 which is held in separate accounts under the control of the Bellevue Development Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for profit organization.



**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

	<u>Reconciliation to Balance Sheet</u>
City's Deposits	\$ 3,000,809
Petty Cash and Drawer Change	495
Investments	<u>5,935,836</u>
Total	<u>\$ 8,937,140</u>
 Per Balance Sheet:	
Government-wide Statement of Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 8,205,446
Cash and Cash Equivalents in Segregated Accounts	696,588
Statement of Fiduciary Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	31,427
Cash and Cash Equivalents in Segregated Accounts	<u>3,679</u>
Total	<u>\$ 8,937,140</u>

NOTE 5: **RECEIVABLES**

Receivables at December 31, 2005, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments, 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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2005, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2005 real property taxes are collected in and intended to finance 2005.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2005 with real property taxes.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 5: **RECEIVABLES** (Continued)

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.08 for Huron County and \$4.96 for Sandusky County per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$4.92 for Huron County and \$5.91 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.

	Sandusky County	Huron County
Real Property - 2004 Valuation		
Residential/Agricultural	\$ 52,906,330	\$ 37,151,930
Public Utilities	8,430	325,490
Commercial/Industrial	<u>10,555,630</u>	<u>13,806,480</u>
Total Real Property	<u>63,470,390</u>	<u>51,283,900</u>
 Tangible Personal Property - 2005 Valuation		
General	11,304,140	29,640,700
Public Utilities	<u>1,692,260</u>	<u>2,719,500</u>
Total Personal Property	<u>12,996,400</u>	<u>32,360,200</u>
<b>Total Assessed Valuation</b>	<u><b>\$ 76,466,790</b></u>	<u><b>\$ 83,644,100</b></u>

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.

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.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 5: **RECEIVABLES** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Bellevue. The County Auditors periodically remit 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, 2005 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 2005 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 City's income tax ordinance requires a portion of the income tax revenues to be used to finance governmental type capital improvements. As a result, this portion of the revenue is transferred into the capital improvement capital projects fund each year. The remaining 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:

<b><u>Governmental Activities</u></b>	<b><u>Amounts</u></b>
Local Government and Local Government Revenue Assistance	\$ 269,864
Liquor Tax	53
Homestead and Rollback	18,070
Gasoline and Excise Tax	149,455
Motor Vehicle License Fees	50,311
Permissive Motor Vehicle License Tax	57,931
North Bellevue Industrial Project Grants	139,923
<b>Total Governmental Activities</b>	<b><u>\$ 685,607</u></b>

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6: BELLEVUE DEVELOPMENT CORPORATION**

The Bellevue Development Corporation (BDC) is a nonprofit organization whose primary efforts are to attract out-of area companies to the City of Bellevue to increase the number of firms and employees working within the City. Incentives are in the form of low interest revolving loans, deferred loan payments and interest, and tax abatements which are offered to attract prospective firms. As part of its normal operation, the BDC administers the City's revolving loan program and 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, 2005 were as follows:

Down Home Foods	5%	Matures 2009	\$ 42,941
Gazette	5%	Matures 2012	136,066
KMH Properties	5%	Matures 2005	65,924
Selbro, Inc.	5%	Matures 2016	59,245
Precision II	5%	Matures 2011	<u>308,783</u>
<b>Total Notes Receivable</b>			<b><u>\$ 612,959</u></b>

**NOTE 7: INSURANCE**

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 2005, the City contracted through Cincinnati Insurance Company for property, fleet, crime and liability insurance. Coverage provided is as follows:

Building and Contents -			
Replacement Cost	\$2,500 Deductible		\$ 43,736,619
Employee Liability	Per Occurrence		\$ 1,000,000
Employee Liability	Aggregate		\$ 3,000,000
Law Enforcement	\$10,000 Deductible		\$ 5,000,000
Firefighter	\$5,000 Deductible		\$ 5,000,000
Automobile - Comprehensive	\$250 Deductible		\$ 1,000,000
Collision	\$500 Deductible		\$ 1,000,000
Inland Marine	\$500 Deductible		\$ 916,000
Boiler and Machinery	\$250 Deductible		Various
Electronic Data Processing	\$250 Deductible		\$ 153,215
Blanket Bond	\$50,000 Per Occurrence		
Umbrella	Per Occurrence/Aggregate		\$ 2,000,000

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  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 8: CAPITAL ASSETS**

The City does not maintain a detailed capital asset listing. Depreciation expense is calculated by major class of assets rather than by individual asset or like asset.

Capital asset activity for the year ended December 31, 2005 is as follows:

	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005
<b><u>Governmental Activities</u></b>				
Land	\$ 719,694	\$ 0	\$ 0	\$ 719,694
Construction in Progress	0	100,347	0	100,347
Land Improvements	147,440	0	0	147,440
Buildings	5,441,470	141,918	0	5,583,388
Furniture and Equipment	2,216,242	130,934	0	2,347,176
Infrastructure	1,297,896	644,172	0	1,942,068
Vehicles	2,509,106	42,650	0	2,551,756
Total Capital Assets - Governmental Activities	<u>12,331,848</u>	<u>1,060,021</u>	<u>0</u>	<u>13,391,869</u>
Less Accumulated Depreciation:				
Land Improvements	(40,999)	(7,512)	0	(48,511)
Buildings	(1,519,061)	(139,585)	0	(1,658,646)
Furniture and Equipment	(1,263,973)	(174,810)	0	(1,438,783)
Infrastructure	(186,746)	(20,013)	0	(206,759)
Vehicles	(1,847,553)	(160,573)	0	(2,008,126)
Total Accumulated Depreciation	<u>(4,858,332)</u>	<u>(502,493)</u>	<u>0</u>	<u>(5,360,825)</u>
<b>Total Capital Assets - Governmental Activities, Net</b>	<b><u>\$ 7,473,516</u></b>	<b><u>\$ 557,528</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 8,031,044</u></b>
<b><u>Business-type Activities</u></b>				
<b><u>Water Fund</u></b>				
Land	\$ 3,474,890	\$ 0	\$ 0	\$ 3,474,890
Buildings	3,661,643	0	0	3,661,643
Equipment and Machinery	1,557,233	14,562	0	1,571,795
Vehicles	135,132	0	0	135,132
Infrastructure	6,715,717	3,663,955	0	10,379,672
Total Capital Assets - Water Fund	<u>15,544,615</u>	<u>3,678,517</u>	<u>0</u>	<u>19,223,132</u>
Less Accumulated Depreciation	<u>(6,648,071)</u>	<u>(387,797)</u>	<u>0</u>	<u>(7,035,868)</u>
<b>Total Capital Assets - Business-type Activities - Water Fund, Net</b>	<b><u>\$ 8,896,544</u></b>	<b><u>\$ 3,290,720</u></b>	<b><u>\$ 0</u></b>	<b><u>\$12,187,264</u></b>
<b><u>Business-type Activities</u></b>				
<b><u>Wastewater Treatment Fund</u></b>				
Land	\$ 58,060	\$ 0	\$ 0	\$ 58,060
Construction in Progress	1,748,429	4,789,072	0	6,537,501
Buildings	6,421,868	0	0	6,421,868
Equipment and Machinery	2,446,339	14,791	0	2,461,130
Vehicles	93,632	0	0	93,632
Infrastructure	2,935,544	41,677	0	2,977,221
Total Capital Assets - Wastewater Treatment Fund	<u>13,703,872</u>	<u>4,845,540</u>	<u>0</u>	<u>18,549,412</u>
Less Accumulated Depreciation	<u>(7,916,256)</u>	<u>(461,257)</u>	<u>0</u>	<u>(8,377,513)</u>
<b>Total Capital Assets - Business-type Activities - Wastewater Treatment Fund, Net</b>	<b><u>\$ 5,787,616</u></b>	<b><u>\$ 4,384,283</u></b>	<b><u>\$ 0</u></b>	<b><u>\$10,171,899</u></b>

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$ 34,089
Judicial	56
Security of Persons and Places	110,107
Public Health and Welfare	102,573
Leisure Time Activities	13,765
Transportation	209,821
Community Environment	<u>32,082</u>
<b>Total Depreciation Expense</b>	<b><u>\$ 502,493</u></b>

NOTE 9: **COMPENSATED ABSENCES**

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment become 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 ninety per cent, up to 40 hours per year, provided the total accrued and unused sick leave hours does not fall below a certain minimum hours 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 ninety per cent of the value. At December 31, 2005, 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 \$689,663.

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 \$184,053 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 employee's 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  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 10: LONG-TERM LIABILITIES**

	Principal Outstanding <u>12/31/2004</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>12/31/2005</u>	Amounts Due in <u>One Year</u>
<b><u>Governmental Activities</u></b>					
Special Assessment Bonds - West Main Improvement Bonds, Issued 1984, 4.85%	\$ 1,000	\$ 0	\$ 1,000	\$ 0	\$ 0
General Obligation Bonds - Municipal Building Bonds, Issued 1999, 5.8%	1,665,000	0	75,000	1,590,000	80,000
Compensated Absences Payable	<u>568,930</u>	<u>213,036</u>	<u>196,804</u>	<u>585,162</u>	<u>165,176</u>
<b>Total Debt - Governmental Activities</b>	<b><u>\$ 2,234,930</u></b>	<b><u>\$ 213,036</u></b>	<b><u>\$ 272,804</u></b>	<b><u>\$ 2,175,162</u></b>	<b><u>\$ 245,176</u></b>
<b><u>Business-type Activities</u></b>					
OWDA Loans - issued 7/6/93, 4.8%	\$ 2,489,153	\$ 0	\$ 243,493	\$ 2,245,660	\$ 255,321
issued 5/27/04	1,612,497	4,818,675	0	6,431,172	297,056
Compensated Absences Payable	<u>366,072</u>	<u>68,313</u>	<u>145,832</u>	<u>288,553</u>	<u>175,724</u>
<b>Total Debt - Business-type Activities</b>	<b><u>\$ 4,467,722</u></b>	<b><u>\$ 4,886,988</u></b>	<b><u>\$ 389,325</u></b>	<b><u>\$ 8,965,385</u></b>	<b><u>\$ 728,101</u></b>

Outstanding general obligation bonds consist of a municipal building issue. General obligation bonds are direct obligations of the City of Bellevue 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 O.W.D.A. 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 Treatment fund. In 2004 the City was approved for \$7.5 million in new loans for which the City has used \$6.4 million for the construction as of December 31, 2005.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2005, including total interest payments of \$3,385,286 are as follows:

Year Ending December 31	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	General Obligation Bonds	OWDA Loan (1993)	OWDA Loan (2004)	
2006	\$ 168,825	\$ 360,085	\$ 485,216	
2007	169,985	360,085	485,216	
2008	172,820	360,085	485,216	
2009	166,320	360,085	485,216	
2010	166,640	360,085	485,216	
2011-2015	836,730	900,214	2,057,263	
2016-2020	672,290	0	2,057,263	
2021-2025	<u>0</u>	<u>0</u>	<u>2,057,263</u>	
	2,353,610	2,700,639	8,597,869	
Less Interest Expense	<u>763,610</u>	<u>454,979</u>	<u>2,166,697</u>	
<b>Total Principal</b>	<b><u>\$ 1,590,000</u></b>	<b><u>\$ 2,245,660</u></b>	<b><u>\$ 6,431,172</u></b>	

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 11: CONDUIT DEBT**

To provide for the acquisition, construction and equipping of a replacement acute care hospital in Bellevue, Ohio and other hospital facilities, the City has 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, 2005, Hospital Facilities Revenue Bonds outstanding aggregated \$10,755,000.

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

The employees of the City are covered by either the Ohio Public Employees Retirement System or the Ohio Police and Fireman's Disability and Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

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

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

OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.



**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
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NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005 member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2005 member contribution rates were 8.5 percent for members in classifications other than law enforcement and public safety. Members in law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed 10.1 percent. Public safety division members contributed at 9 percent. The 2005 local government employer contribution rate was 13.55 percent of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate was 16.7 percent of covered payroll. The City's contributions for pension obligations to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$341,527, \$344,670, and \$333,472; respectively; 91.93 percent representing the paid contribution for 2005 and 100 percent for 2004 and 2003. \$27,550 representing the unpaid contribution for 2005 is recorded as a liability to the individual funds that incurred the costs.

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

The City contributes to the Ohio Police and Firemen's Disability and 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 for the plan. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent, respectively, for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2005, 2004, and 2003 were \$239,636, \$222,469, and \$201,909, respectively, equal to the required contributions for the year. 92.26 percent has been contributed for 2005 and 100 percent for 2004 and 2003. \$18,629 representing the unpaid contribution for 2005 is recorded as a liability to the individual funds that incurred the costs.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 13: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2005 employer contribution rate for local government employers was 13.55 percent of covered payroll, and 4.00 percent was used to fund health care for the year. For both public safety and law enforcement divisions, the 2005 employer rate was 16.70 percent and 4.00 percent was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2004. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 13: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
(Continued)

**A. Ohio Public Employees Retirement System** (Continued)

market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 was 8.0 percent. An annual increase of 4.0 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. At year-end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The City's contribution to fund post employment benefits was \$100,819.

The amount of \$10.8 billion represents the actuarial value of the OPERS' net assets available for OPEB at December 31, 2004. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which allow additional funds to be allocated to the health care plan.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 13: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
(Continued)

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

The Ohio Police and Firemen's Disability and Pension Fund (OP&F) provides access to post retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firemen's employer contribution rate is 24 percent of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2004 and in 2005. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, is 13,812 for police and 10,528 for firefighters.

The amount that the city contributed as the employer's share to pay post employment benefits for 2005 was \$87,226.

The Fund's total health care expenses for the year ending December 31, 2004, the date of the last actuarial valuation was \$102,173,796, which was net of member contributions of \$55,665,341.

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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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 government 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 government.

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.

NOTE 16: **INTERFUND TRANSFERS**

During 2005, the General Fund made transfers to other governmental funds, in the amount of \$1,244,398 to subsidize various activities in other funds. Other governmental funds made transfers in the amount of \$8,491 to governmental and fiduciary funds (Cemetery, Cemetery Endowment, and Community Center Endowment), which reflect ten percent of the cemetery lots sold and contributions toward creating a community center.

**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**

Honorable Mayor, City Auditor,  
Members of City Council and  
the Audit Committee  
City of Bellevue, 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, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City of Bellevue, Ohio's basic financial statements and have issued our report thereon dated November 9, 2006, 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 asset restrictions in the governmental activities, business-type activities, Wastewater Pollution Fund and Water Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of American 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial report that in our judgment could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as Item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider Reportable Condition 2005-001 to be a material weakness. In a separate letter to the City's management dated November 9, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 we must report under *Government Auditing Standards*. In a separate letter to the City's management dated November 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities and members of the City Council. It 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

November 9, 2006

**CITY OF BELLEVUE, OHIO  
HURON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

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**FINDING 2005-1 - Material Weakness - Capital Assets**

**Condition**

The City does not maintain an adequate detailed capital asset listing for capital assets. Also, depreciation expense is calculated by major class of assets rather than by individual asset or like assets.

**Cause/Effect**

The failure to maintain an accurate capital asset listing and calculate depreciation by individual or like assets did not enable auditors to obtain sufficient evidential matter regarding the amounts reported for capital assets on the Statement of Net Assets, and depreciation expense on the Statement of Activities and Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds. This could increase the risk that capital assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

**Recommendation**

We recommend that the City have a formal policy in place to track additions or deletions and to maintain an up-to-date capital asset listing for all funds. The capital asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location, and purchase date. The capital asset system should also assign each asset to a functional category so that the City can allocate depreciation expense to proper functions. The capital asset procedures should include documents for the addition and deletion of capital assets with signatures of the responsible officials and a procedure to report this information to the City Auditor. The policy should also require depreciation to be calculated by individual items or like assets. In addition, the City should adopt a capitalization policy for assets and set a dollar threshold for which items should be capitalized.

**Correction Action Plan**

The City plans to contract with an independent appraiser to develop an up-to-date capital asset listing. In addition, the City will institute a formal capitalization policy and put necessary procedures in place to depreciate individual assets or like assets, track additions and deletions, and to maintain an up-to-date capital asset listing.



**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 COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, City Auditor,  
Members of City Council and  
the Audit Committee  
City of Bellevue, Ohio

**Compliance**

We have audited the compliance of the City of Bellevue, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The City of Bellevue, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of BELLEVUE, Ohio's management. Our responsibility is to express an opinion on the City of BELLEVUE, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bellevue, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Bellevue, Ohio's compliance with those requirements.

In our opinion, the City of Bellevue, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

### **Internal Control Over Compliance**

The management of the City of Bellevue, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bellevue, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the City of Bellevue, Ohio, as of and for the year ended December 31, 2005, and have issued our report thereon dated November 9, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue, Ohio's basic financial statements except for the effects of capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, members of City Council, and federal awarding agencies and pass-through entities 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

November 9, 2006

**CITY OF BELLEVUE, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Direct Program Expenditures</b>
<b>Federal Emergency Management Agency</b>			
<i>Passed Through State Emergency Management Agency</i>			
Public Assistance Program	FEMA-EM-3198	97.036	\$ 13,995
Assistance to Firefighters Grants	EMW-2004-FG-08758	97.044	<u>18,442</u>
<b>Total Federal Emergency Management Agency</b>			<u>32,437</u>
<b>United States Department of Commerce</b>			
<i>Passed Through Ohio Economic Development Administration</i>			
Public Works and Development Facilities	06-01-04743	11.300	<u>1,406,189</u>
<b>Total United States Department of Commerce</b>			<u>1,406,189</u>
<b>United States Department of Housing and Urban Development</b>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	A-E-01-094-1	14.228	390,000
Revolving Loan Fund		14.219	<u>236,650</u>
<i>Total Passed Through Ohio Department of Development</i>			<u>626,650</u>
<i>Passed Through Sandusky County</i>			
Community Development Block Grant Formula Program		14.228	<u>62,427</u>
<i>Total Passed Through Sandusky County</i>			<u>62,427</u>
<b>Total United States Department of Housing and Urban Development</b>			<u>689,077</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,127,703</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF BELLEVUE, OHIO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of the City presents the activity of all federal financial assistance programs to the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

**CITY OF BELLEVUE, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**1. Summary of Auditor's Results**

2005(i)	Type of Financial Statement Opinion	Qualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list):  Community Development Block Grant - CFDA #14.228 Public Works and Development Facilities - CFDA #11.300	
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: > All Others
2005 (ix)	Low Risk Auditee?	No

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

Finding 2005-001 - Material Weakness - Capital Assets

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**CITY OF BELLEVUE, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Explanation</u>
2004-001	Material weakness regarding lack of capital asset support	No	Corrected; Significantly Different Corrective Action Taken; or Finding no longer valid: Not corrected - repeated as Finding 2005-001 in this report
2004-002	Monthly reconciliation of general checking bank account with the City's fund balances not performed	Yes	Corrected in 2005
2004-003	ORC Section 5705.39 - Appropriations exceeded estimated resources	Yes	Corrected in 2005



**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  
FEBRUARY 22, 2007**