



**Auditor of State
Betty Montgomery**

**CITY OF BELLEVUE
HURON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Bellevue
Huron County
3000 Seneca Industrial Parkway
Bellevue, Ohio 44811-8709

To the City Council:

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, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, Water Pollution Fund, and 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 above present fairly, in all material respects, the respective financial position of the

governmental activities, the business-type activities, the Water Pollution Fund, and the Water Fund of the City of Bellevue, Huron County, Ohio, as of December 31, 2003, and the respective changes in position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General and BDC funds, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio, as of December 31, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We did not audit and do not express an opinion on this information. However, 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.



Betty Montgomery
Auditor of State

October 1, 2004

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

The discussion and analysis of City of Bellevue's financial performance provides an overall view of the City's financial activities For the Year Ended December 31, 2003. 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 2003 are as follows:

- The City's net assets increased \$.6 million as a result of this year's operations. The net assets of our governmental activities increased \$.4 million or 2.67 percent, and net assets for our business-type increased \$.2 million or 1.58 percent.
- During the year, the City had expenses for governmental activities in the amount of \$6.7 million, which was covered by program and other revenues of \$7.1 million. Business-Type activities applied program revenues of \$3.7 million to expenses generated of \$3.5 million in 2003.

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 of Bellevue 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 of Bellevue, the general fund is by far the most significant fund.

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property 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, 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 and sewer funds 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 and the Bellevue Development Corporation fund.

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

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 educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds

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

THE CITY AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2003:

Table 1
Net Assets
(In Millions)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Assets			
Current and Other Assets	\$ 10.8	\$ 5.1	\$ 15.9
Capital Assets	6.6	13.0	19.6
<i>Total Assets</i>	<u>\$ 17.4</u>	<u>\$ 18.1</u>	<u>\$ 35.5</u>

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Table 1
Net Assets
(In Millions)
(Continued)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Liabilities			
Other Liabilities	\$ 1.1	\$ 0.1	\$ 1.2
Long-Term Liabilities	<u>2.4</u>	<u>3.2</u>	<u>5.6</u>
<i>Total Liabilities</i>	<u>3.5</u>	<u>3.3</u>	<u>6.8</u>
Net Assets			
Invested in Capital Assets Net of Deb	4.8	10.3	15.1
Restricted	2.4	-	2.4
Unrestricted (Deficit)	<u>6.7</u>	<u>4.5</u>	<u>11.2</u>
<i>Total Net Assets</i>	<u>\$ 13.9</u>	<u>\$ 14.8</u>	<u>\$ 28.7</u>

Table 2 shows the changes in net assets for the year 2003. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to the year 2002 are not available.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenue			
Program Revenues:			
Charges for Services	\$ 0.4	\$ 3.7	\$ 4.1
Operating Grants	0.3	-	0.3
Capital Grants	0.9	-	0.9

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Table 2
Changes in Net Assets
(In Millions)
(Continued)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
General Revenue:			
Municipal Income Taxes	3.5		3.5
Property Taxes	0.8		0.8
Grants and Entitlements	0.6		0.6
Unrestricted Investment Earnings	0.2		0.2
Other	0.4		0.4
<i>Total Revenues</i>	7.1	3.7	10.8
Program Expenses			
General Government –Legislative and Executive	1.8		1.8
General Government –Judicial	0.2		0.2
Security of Persons and Property	2.0		2.0
Public Health and Welfare	0.3		0.3
Transportation	0.8		0.8
Community Environment	0.6		0.6
Leisure Time Activities	0.4		0.4
Unallocated Depreciation	0.5		0.5
Interest and Fiscal Charges	0.1		0.1
Water Fund		1.9	1.9
Sewer Fund		1.6	1.6
<i>Total Expenses</i>	6.7	3.5	10.2
<i>Increase (Decrease) in Net Assets</i>	\$ 0.4	\$ 0.2	\$ 0.6

Governmental Activities

Presently, the City has non-voted millage of 2.0 mills for general fund operations and .3 mills each for the Police and Fire Pension. The City has voted millage which is outside the 10 mill

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

limitation of 2.0 mills for Ambulance and Emergency Medical Services and 1.0 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 were reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus the city depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 60.9 percent of revenues for governmental activities in calendar year 2003.

General Government Legislative and Executive comprise 26.8 percent of governmental program expenses. Interest expense was 1.49 percent. Interest expense was attributable to the outstanding bond 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. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities
(In Millions)

	Total Cost of Services 2003	Net Cost of Services 2003
General Government – Legislative and Executive	\$ 1.8	\$ 1.8
General Government – Judicial	0.2	0.2
Security of Persons and Property	2.0	2.0
Public Health and Welfare	0.3	0.2
Transportation	0.8	0.4
Community Environment	0.6	(0.4)
Leisure Time Activities	0.4	0.3
Unallocated Depreciation	0.5	0.5
Interest and Fiscal Charges	0.1	0.1
Total Expenses	\$ 6.7	\$ 5.1

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

The dependence upon tax revenues for governmental activities is apparent. Over 92.4 percent of public safety and human services are supported through taxes and other general revenues, for all governmental activities revenue support is 76.6 percent. The community, as a whole, is by far the primary support for the City.

Business-Type Activities

Business-type activities include the water and sewer fund. These programs had revenues of \$3.7 million and expenses of \$3.5 million for the year 2003. Business activities receive no support from tax revenues.

The City's Funds

Information about the City's major funds starts on page 18. These funds are accounted in the Statement of Revenue, Expenditures, and Changes in Fund Balance using the modified accrual basis of accounting. All governmental funds had total revenues of \$7.1 million and expenditures of \$6.7 million. The General Fund, which is always a major fund, had a net decrease in fund balance of \$47,662. This decline indicated the City needed to increase its revenue base to continue meeting City obligations as a whole.

The only other major fund of the city 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 \$62,173. The net change in the fund balance of the Bellevue Development Corporation Fund was a decrease of \$107,384, which is due to the city paying \$169,557 into the fund for operations and future loans.

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 2003 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 \$4.7 million, the same amount as original budget estimates. This estimate was applied to the final budget amount of expenditures of \$5.5

**CITY OF BELLEVUE
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**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

million. Actual expenditures were \$4.1 million. Variances were primarily attributable to lower than anticipated public safety salaries and related costs and conservative budgeting of local government contracts expenditures, legal services, and capital expenditures. The City's ending unobligated cash balance was \$2.4 million above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2003 the City had \$19.6 million invested in land, buildings and improvements, equipment, vehicles and infrastructure. \$6.6 million is reported in the governmental activities. Table 4 shows the 2003 balances.

Table 4
Capital Assets,
Net of Depreciation (when applicable)
December 31, 2003
(In Millions)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Land	\$ 0.7	\$ 3.5	\$ 4.2
Buildings and Improvements	4.1	10.1	14.2
Furniture and Equipment	0.9	3.9	4.8
Vehicles	0.2	0.2	0.4
Infrastructure	0.7	9.0	9.7
Depreciation	-	(13.7)	(13.7)
Totals	\$ 6.6	\$ 13.0	\$ 19.6

The primary increase occurred in infrastructure and equipment. The lack of an increase in vehicles is the result of budget reduction deferring these purchases until funds are available.

Debt

At December 31, 2003 the City had \$4.4 million in bonds and notes outstanding, \$.3 million due within one year. Table 5 summarizes bond and loans outstanding.

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Table 5
Outstanding Debt, at Year End
(In Millions)

	Governmental Activities 2003	Business-Type Activities 2003
Municipal Building and Special Assessment Bonds	\$ 1.7	\$ -
O.W.D.A. Loan	-	2.7
Total	\$ 1.7	\$ 2.7

Outstanding general obligation bonds consist of a new 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 City also has a \$1,000 outstanding special assessment bond which will be paid off next year. The W. Main special assessment bond is payable from the proceeds of tax assessments against individual property owners. The bond is supported by the full faith and credit of the City of Bellevue.

The outstanding O.W.D.A. loan consists of a loan agreement between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loan will be paid from resources of the Wastewater Treatment fund.

FOR THE FUTURE

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 citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information contact

**CITY OF BELLEVUE
HURON COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)**

Steve Smith, City Auditor, 3000 Seneca Industrial Parkway, Bellevue, Ohio 44811-8709. Or e-mail at cooksmith@onebellevue.com.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Net Assets
December 31, 2003**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 5,739,628	\$ 4,461,693	\$ 10,201,321
Cash and Cash Equivalents:			
In Segregated Accounts	1,155,512	5,025	1,160,537
With Fiscal Agents	714	-	714
Receivables:			
Taxes	1,805,786	-	1,805,786
Accounts	112,981	582,814	695,795
Accrued Interest	2,174	-	2,174
Due from Other Governments	1,204,330	-	1,204,330
Prepaid Items	54,708	20,701	75,409
Material and Supplies Inventory	47,984	22,829	70,813
Notes Receivable	670,810	-	670,810
Capital assets, Not Depreciated	719,694	3,532,950	4,252,644
Capital Assets, Net of Depreciation	5,853,250	9,485,232	15,338,482
<i>Total Assets</i>	<u>\$ 17,367,571</u>	<u>\$ 18,111,244</u>	<u>\$ 35,478,815</u>
Liabilities:			
Accounts Payable	\$ 188,355	\$ 99,802	\$ 288,157
Accrued Wages	152,480	55,243	207,723
Due to Other Governments	52,161	17,219	69,380
Deferred Revenue	727,348	-	727,348
Undistributed Monies	-	5,025	5,025
Matured Bonds Payable	3,000	-	3,000
Matured Interest payable	714	-	714
Accrued Interest Payable	7,884	-	7,884
Long-Term Liabilities:			
Due within one year	282,839	414,013	696,852
Due in more than one year	2,074,680	2,756,219	4,830,899
<i>Total Liabilities</i>	<u>3,489,461</u>	<u>3,347,521</u>	<u>6,836,982</u>
Net Assets:			
Invested in capital assets, net of related debt	4,828,944	10,296,816	15,125,760
Restricted for:			
Capital	588,098	-	588,098
Debt	20,455	-	20,455
Perpetual Care Expendable	62,957	-	62,957
Perpetual Care Unexpendable	6,760	-	6,760
Special Purposes	3,519,409	-	3,519,409
Unrestricted	4,851,487	4,466,907	9,318,394
<i>Total Net Assets</i>	<u>\$ 13,878,110</u>	<u>\$ 14,763,723</u>	<u>\$ 28,641,833</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Activities
For the Year Ended December 31, 2003**

	<u>Expenses</u>
Governmental Activities	
General Government:	
Legislative and Executive	\$ 1,568,031
Judicial	238,835
Security of Persons and Property	2,278,628
Public Health and Welfare	348,424
Transportation	766,429
Community Environment	559,870
Leisure Time Activities	402,709
Unallocated Depreciation	453,613
Interest and Fiscal Charges	99,747
	<hr/>
<i>Total governmental activities</i>	6,716,286
	<hr/>
Business-Type Activities	
Water Fund	1,919,409
Wastewater Pollution Fund	1,582,550
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<i>Total Business-Type activities</i>	3,501,959
	<hr/>
<i>Total</i>	\$ 10,218,245
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ -	\$ -	\$ (1,568,031)	\$ -	\$ (1,568,031)
-	-	-	(238,835)	-	(238,835)
56,626	18,801	-	(2,203,201)	-	(2,203,201)
107,027	-	-	(241,397)	-	(241,397)
1,452	323,299	-	(441,678)	-	(441,678)
98,000	-	1,009,000	547,130	-	547,130
100,110	2,812	-	(299,787)	-	(299,787)
-	-	-	(453,613)	-	(453,613)
-	-	-	(99,747)	-	(99,747)
363,215	344,912	1,009,000	(4,999,159)	-	(4,999,159)
1,932,502	-	-	-	13,093	13,093
1,799,378	-	-	-	216,828	216,828
3,731,880	-	-	-	229,921	229,921
<u>\$ 4,095,095</u>	<u>\$ 344,912</u>	<u>\$ 1,009,000</u>	<u>(4,999,159)</u>	<u>229,921</u>	<u>(4,769,238)</u>
General revenues:					
Taxes:					
Municipal Income Tax			3,540,378	-	3,540,378
Property taxes, levied for general purposes			766,911	-	766,911
Grants and contributions not restricted to specific programs			577,719	-	577,719
Unrestricted investment earnings			230,530	-	230,530
Miscellaneous			243,901	-	243,901
<i>Total general revenues</i>			5,359,439	-	5,359,439
Change in net assets			360,280	229,921	590,201
<i>Net assets - January 1, 2003</i> <i>(See Footnote No. 4)</i>			13,517,830	14,533,802	28,051,632
<i>Net assets - December 31, 2003</i>			<u>\$ 13,878,110</u>	<u>\$ 14,763,723</u>	<u>\$ 28,641,833</u>

**CITY OF BELLEVUE
HURON COUNTY**

**Balance Sheet
Governmental Funds
December 31, 2003**

	General	Bellevue Development Corporation	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 4,140,403	\$ -	\$ 1,599,225	\$ 5,739,628
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-
With Escrow Agents	495	1,155,017	-	1,155,512
Receivables:				
Taxes	1,315,996	-	489,790	1,805,786
Accounts	12,173	-	100,808	112,981
Accrued Interest	-	2,174	-	2,174
Due from Other Funds	1,270	-	-	1,270
Due from Other Governments	283,877	-	920,453	1,204,330
Prepaid Items	47,482	-	7,226	54,708
Material and Supplies Inventory	7,943	-	40,041	47,984
Notes Receivable	-	670,810	-	670,810
<i>Total Assets</i>	<u>\$ 5,809,639</u>	<u>\$ 1,828,001</u>	<u>\$ 3,158,257</u>	<u>\$ 10,795,897</u>
Liabilities:				
Accounts Payable	\$ 79,908	\$ -	\$ 108,447	\$ 188,355
Accrued Wages	124,835	-	27,645	152,480
Due to Other Funds	-	-	1,270	1,270
Due to Other Governments	42,997	-	9,164	52,161
Deferred Revenue	1,244,889	395	1,371,316	2,616,600
Matured Interest Payable	-	-	714	714
<i>Total Liabilities</i>	<u>1,492,629</u>	<u>395</u>	<u>1,518,556</u>	<u>3,011,580</u>
Fund Balances:				
Reserved for Notes Receivable	-	670,810	-	670,810
Reserved for Encumbrances	126,157	-	171,272	297,429
Reserved for Inventory	7,943	-	40,041	47,984
Reserved for Perpetual Care	-	-	60,000	60,000
Unreserved	4,182,910	-	-	4,182,910
Unreserved , Reported in:				
Special Revenue Funds	-	1,156,796	777,066	1,933,862
Debt Service Fund	-	-	28,339	28,339
Capital Projects Funds	-	-	553,264	553,264
Permanent Funds	-	-	9,719	9,719
<i>Total Fund Balances</i>	<u>4,317,010</u>	<u>1,827,606</u>	<u>1,639,701</u>	<u>7,784,317</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,809,639</u>	<u>\$ 1,828,001</u>	<u>\$ 3,158,257</u>	<u>\$ 10,795,897</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities**

Total Governmental Fund Balances		\$ 7,784,317
 <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.		6,572,944
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	\$ 710,439	
Delinquent Property Taxes	29,521	
Grants	1,146,408	
Hotel-Motel Taxes	2,489	
Accrued Interest Receivable	395	1,889,252
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	(7,884)	
Compensated Absences Payable	(616,519)	
G. O. Bonds Payable	(1,740,000)	
Special Assessment Bonds Payable	(4,000)	(2,368,403)
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$ 13,878,110</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003**

	General	Bellevue Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal Income Tax	\$ 3,358,051	\$ -	\$ -	\$ 3,358,051
Property and Other Taxes	275,466	-	485,327	760,793
Intergovernmental	570,987	-	646,477	1,217,464
Investment Income	144,195	62,173	23,767	230,135
Licenses and Permits	52,476	-	-	52,476
Fines and Forfeitures	98,358	-	17,093	115,451
Special Assessments	-	-	1,452	1,452
Charges for Services	77,920	-	283,843	361,763
Miscellaneous	38,740	-	38,205	76,945
<i>Total Revenue</i>	<u>4,616,193</u>	<u>62,173</u>	<u>1,496,164</u>	<u>6,174,530</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	1,581,967	-	570	1,582,537
Judicial	205,988	-	19,282	225,270
Security of Persons and Property	1,774,459	-	479,690	2,254,149
Public Health and Welfare	246,704	-	92,181	338,885
Transportation	-	-	757,069	757,069
Community Environment	158,268	169,557	212,713	540,538
Leisure Time Activities	-	-	382,511	382,511
Capital Outlay	-	-	356,764	356,764
Debt Service:				
Principal Retirement	-	-	91,250	91,250
Interest and Fiscal Charges	-	-	100,127	100,127
<i>Total Expenditures</i>	<u>3,967,386</u>	<u>169,557</u>	<u>2,492,157</u>	<u>6,629,100</u>
<i>Excess of Revenues Over/ (Under) Expenditures</i>	<u>648,807</u>	<u>(107,384)</u>	<u>(995,993)</u>	<u>(454,570)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	697,117	697,117
Operating Transfers Out	(696,469)	-	(648)	(697,117)
<i>Total Other Sources (Uses)</i>	<u>(696,469)</u>	<u>-</u>	<u>696,469</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(47,662)</u>	<u>(107,384)</u>	<u>(299,524)</u>	<u>(454,570)</u>
<i>Fund Balances at Beginning of Year (See Footnote No. 4)</i>	4,364,672	1,934,990	1,935,366	8,235,028
Increase (Decrease) in Reserve for Inventory	-	-	3,859	3,859
<i>Fund Balances at End of Year</i>	<u>\$ 4,317,010</u>	<u>\$ 1,827,606</u>	<u>\$ 1,639,701</u>	<u>\$ 7,784,317</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

Net Change in Fund Balances-Total Governmental Funds **\$ (454,570)**

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.

Capital Outlay	398,227	
Depreciation	(506,334)	(108,107)

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

Municipal Income Taxes	182,327	
Grants	713,196	
Delinquent Property Taxes	6,118	
Interest On Investments	395	902,036

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.		91,250
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In the statement of activities, interest is accrued on on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		380
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Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures governmental funds.

Compensated Absences	(74,568)	
Inventory Change	3,859	(70,709)

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 360,280</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP) and Actual Comparison
General Fund
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$ 3,305,000	\$ 3,305,000	\$ 3,284,186	\$ (20,814)
Property Taxes	305,000	305,000	275,949	(29,051)
Charges for Services	58,000	58,000	72,288	14,288
Licenses and Permits	50,000	50,000	52,476	2,476
Fines and Forfeitures	105,000	105,000	97,067	(7,933)
Intergovernmental	572,000	572,000	569,862	(2,138)
Investment Income	275,000	275,000	144,195	(130,805)
Other	60,000	60,000	40,245	(19,755)
<i>Total Revenues</i>	<u>4,730,000</u>	<u>4,730,000</u>	<u>4,536,268</u>	<u>(193,732)</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	2,210,423	2,306,423	1,671,241	635,182
Judicial	293,288	293,288	210,357	82,931
Security of Persons and Property	2,318,367	2,318,367	1,789,378	528,989
Public Health and Welfare	306,552	306,552	243,398	63,154
Community Environment	213,092	232,092	179,106	52,986
<i>Total Expenditures</i>	<u>5,341,722</u>	<u>5,456,722</u>	<u>4,093,480</u>	<u>1,363,242</u>
<i>Excess of Revenues Over/ (Under) Expenditures</i>	<u>(611,722)</u>	<u>(726,722)</u>	<u>442,788</u>	<u>1,169,510</u>
Other Financing Uses:				
Operating Transfers-Out	(1,903,450)	(1,903,450)	(696,469)	1,206,981
<i>Total Other Financing Uses</i>	<u>(1,903,450)</u>	<u>(1,903,450)</u>	<u>(696,469)</u>	<u>1,206,981</u>
<i>Excess of Revenues Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,515,172)</u>	<u>(2,630,172)</u>	<u>(253,681)</u>	<u>2,376,491</u>
<i>Fund Balances at Beginning of Year</i>	4,158,442	4,158,442	4,158,442	-
Prior Year Encumbrances Appropriated	82,082	82,082	82,082	-
<i>Fund Balances at End of Year</i>	<u>\$ 1,725,352</u>	<u>\$ 1,610,352</u>	<u>\$ 3,986,843</u>	<u>\$ 2,376,491</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Net Assets
Proprietary Funds
December 31, 2003**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
Assets			
Current Assets:			
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 2,615,314	\$ 1,846,379	\$ 4,461,693
Cash and Cash Equivalents:			
In Segregated Accounts	5,025	-	5,025
Receivables:			
Accounts	267,119	315,695	582,814
Prepaid Items	10,770	9,931	20,701
Material and Supplies Inventory	-	22,829	22,829
<i>Total Current Assets</i>	<u>2,898,228</u>	<u>2,194,834</u>	<u>5,093,062</u>
Capital Assets, (Not Depreciation)	3,474,890	58,060	3,532,950
Capital Assets, (Net of Accumulated Depreciation)	<u>5,055,336</u>	<u>4,429,896</u>	<u>9,485,232</u>
<i>Total Assets</i>	<u><u>\$ 11,428,454</u></u>	<u><u>\$ 6,682,790</u></u>	<u><u>\$ 18,111,244</u></u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 69,280	\$ 30,522	\$ 99,802
Accrued Wages	34,373	20,870	55,243
Compensated Absences Payable	149,634	32,166	181,800
Due to Other Governments	11,049	6,170	17,219
Undistributed Monies	5,025	-	5,025
OWDA Loan Payable	-	232,213	232,213
<i>Total Current Liabilities</i>	<u>269,361</u>	<u>321,941</u>	<u>591,302</u>
Long-Term Liabilities:			
Compensated Absences Payable	163,077	103,989	267,066
OWDA Loan Payable	-	2,489,153	2,489,153
<i>Total Long-Term Liabilities</i>	<u>163,077</u>	<u>2,593,142</u>	<u>2,756,219</u>
<i>Total Liabilities</i>	<u>432,438</u>	<u>2,915,083</u>	<u>3,347,521</u>
Net Assets			
Invested in capital assets, net of related debt	8,530,226	1,766,590	10,296,816
Unrestricted	<u>2,465,790</u>	<u>2,001,117</u>	<u>4,466,907</u>
<i>Total Net Assets</i>	<u><u>\$ 10,996,016</u></u>	<u><u>\$ 3,767,707</u></u>	<u><u>\$ 14,763,723</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Totals
Operating Revenues:			
Charges for Services	\$ 1,910,419	\$ 1,768,057	\$ 3,678,476
Other Operating Revenues	9,921	17,737	27,658
<i>Total Operating Revenues</i>	<u>1,920,340</u>	<u>1,785,794</u>	<u>3,706,134</u>
Operating Expenses:			
Personal Services	884,560	524,528	1,409,088
Contractual Services	446,020	289,249	735,269
Materials and Supplies	270,034	170,840	440,874
Other Operating Expense	670	309	979
Depreciation	318,125	458,995	777,120
<i>Total Operating Expenses</i>	<u>1,919,409</u>	<u>1,443,921</u>	<u>3,363,330</u>
<i>Operating Income</i>	<u>931</u>	<u>341,873</u>	<u>342,804</u>
Non-Operating Revenues (Expenses):			
Tap-In Fees	12,162	13,584	25,746
Interest and Fiscal Charges	-	(138,629)	(138,629)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>12,162</u>	<u>(125,045)</u>	<u>(112,883)</u>
<i>Change in Net Assets</i>	13,093	216,828	229,921
<i>Total Net Assets at Beginning of Year</i>	<u>10,982,923</u>	<u>3,550,879</u>	<u>14,533,802</u>
<i>Total Net Assets at End of Year</i>	<u><u>\$ 10,996,016</u></u>	<u><u>\$ 3,767,707</u></u>	<u><u>\$ 14,763,723</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Fund		
	Water Fund	Wastewater Pollution Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received for Services	\$ 1,642,559	\$ 1,734,150	\$ 3,376,709
Cash Received from Other Operating Sources	9,921	17,737	27,658
Cash Payments to Suppliers for Goods and Services	(449,325)	(462,402)	(911,727)
Cash Payments to Employees for Services	(905,520)	(493,980)	(1,399,500)
Cash Payments for Other Purposes	-	(309)	(309)
	<u>297,635</u>	<u>795,196</u>	<u>1,092,831</u>
<i>Net Cash Provided by Operating Activities</i>			
Cash Flows from Noncapital Financing Activities:			
Tap-In Fees	12,162	13,584	25,746
	<u>12,162</u>	<u>13,584</u>	<u>25,746</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>			
	<u>12,162</u>	<u>13,584</u>	<u>25,746</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Payments - Bonds	-	(221,456)	(221,456)
Payments for Capital Acquisitions	(1,127,323)	(4,908)	(1,132,231)
Interest Paid	-	(138,629)	(138,629)
	<u>(1,127,323)</u>	<u>(364,993)</u>	<u>(1,492,316)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>			
	<u>(1,127,323)</u>	<u>(364,993)</u>	<u>(1,492,316)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(817,526)	443,787	(373,739)
<i>Cash and Cash Equivalents Beginning of Year</i>	3,437,865	1,402,592	4,840,457
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 2,620,339</u>	<u>\$ 1,846,379</u>	<u>\$ 4,466,718</u>

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2003
(Continued)**

	Business-Type Activities - Enterprise Fund		
	Water Fund	Wastewater Pollution Fund	Total
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating Income	\$ 931	\$ 341,873	\$ 342,804
Adjustments:			
Net Cash from Operating Activities:			
Depreciation Expense	318,125	458,995	777,120
(Increase) Decrease in Assets:			
Accounts Receivable	(41,506)	(33,907)	(75,413)
Prepaid Items	(10,770)		(10,770)
Inventory Held for Resale		(9,931)	(9,931)
Materials and Supplies Inventory	62,274	2,917	65,191
Increase (Decrease) in Liabilities:			
Accounts Payable	19,965	4,701	24,666
Accrued Wages and Benefits	31,014	19,149	50,163
Compensated Absences Payable	(37,237)	20,489	(16,748)
Due to Other Governments	(14,737)	(9,090)	(23,827)
Undistributed Monies	(741)		(741)
Fixed Assets Purchased through Accounts Payable	(29,683)		(29,683)
<i>Total Adjustments</i>	296,704	453,323	750,027
<i>Net Cash Provided by Operating Activities</i>	\$ 297,635	\$ 795,196	\$ 1,092,831

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 28,746	\$ 900
Cash and Cash Equivalents In Segregated Accounts	-	15,716
Accounts Receivable	-	402
	<u>28,746</u>	<u>17,018</u>
<i>Total Assets</i>	<u>28,746</u>	<u>17,018</u>
Liabilities:		
Undistributed Monies	-	17,018
	<u>-</u>	<u>17,018</u>
<i>Total Liabilities</i>	<u>-</u>	<u>\$ 17,018</u>
Net Assets:		
Unrestricted: Undesignated	<u>28,746</u>	
Total Net Assets	<u>\$ 28,746</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003**

	<u>Private Purpose Trust</u>
Additions:	
Interest Income	\$ 1,733
<i>Total Additions</i>	<u>1,733</u>
Deductions	
Material and Supplies	<u>-</u>
<i>Total Deductions</i>	<u>-</u>
<i>Change in Net Assets</i>	1,733
<i>Net Assets Beginning of Year</i>	<u>27,013</u>
<i>Net Assets End of Year</i>	<u><u>\$ 28,746</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003**

1. DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to 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. For the City of Bellevue, this includes the Bellevue Municipal Court and all departments and activities that are directly operated by elected City officials.

Component units are legally separate organizations for 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. Components units may also include organizations that fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City has included in its funds 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 City of Bellevue 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
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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:

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore 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, and interest earned on grants that is required to be used to support 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

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

each business segment or governmental function is self-financing or draws from the general revenues of the City.

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. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental funds reporting focuses 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 and the Bellevue Development Corporation fund are the City's only 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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

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.

The other governmental funds of the City account for grants and other resources, debt service, and capital projects of the City 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 following are the city's major enterprise funds:

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

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

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City does not have investment trust or pension trust funds.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

C. Measurement Focus

Government Wide Financial Statements

The Government-wide Financial Statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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.

The private purpose trust is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Enterprise funds and fiduciary funds use the accrual basis of accounting.

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**Notes to the Financial Statements
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(Continued)**

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.

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, income 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 of 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, interest, grants, and rentals.

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, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Special assessments, grants, and entitlements received before the eligibility requirements are meant are also recorded as deferred revenue.

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**Notes to the Financial Statements
December 31, 2003
(Continued)**

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

Expenses/Expenditures

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

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

E. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds, with the exception of the Bellevue Development Corporation fund. Council passes appropriations at the fund, department, and object level. Line item appropriations may be transferred between the accounts with the approval of the city auditor and respective department head. Council must approve any revisions in the budget that alter total object level appropriations. The following are the procedures used by the City in establishing the budgetary date reported in the basis 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.

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

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**Notes to the Financial Statements
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(Continued)**

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 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 2003.

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. Several supplemental appropriation ordinances were legally enacted by Council 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
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**Notes to the Financial Statements
December 31, 2003
(Continued)**

F. Cash and Investments

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

During 2003, investments were limited to certificates of deposit and STAR Ohio, 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 and nonnegotiable certificates of deposit, 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 2003 amounted to \$144,195, which included \$84,003 assigned from other funds of the City.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAR Ohio) during the year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

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. Investments, with an initial maturity of more than three months that were not purchased from the pool, are reported as investments.

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**Notes to the Financial Statements
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(Continued)**

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

I. 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.

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**Notes to the Financial Statements
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(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

J. 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.

K. 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 is 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.

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**Notes to the Financial Statements
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(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.

L. 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 are due for payment during the current year. 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.

M. Fund Balance Reserves

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

N. 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

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**Notes to the Financial Statements
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(Continued)**

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. Net Assets are restricted for capital expenditures, debt service, perpetual care expendable, perpetual care unexpendable, and special purpose expenditures.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise 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 nonoperating.

P. Interfund Activity

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

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

Q. 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 2003.

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**Notes to the Financial Statements
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(Continued)**

R. 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.

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 is 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:

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**Notes to the Financial Statements
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(Continued)**

Net Change in Fund Balance General Fund	
Budget Basis	\$ (253,681)
Adjustments:	
Revenue Accruals:	
Accrued 2002, Received in Cash 2003	(229,987)
Accrued 2003, Not yet Received in Cash	309,912
Expenditure Accruals:	
Accrued 2003, Not yet Paid in Cash	(141,743)
Accrued 2002, Paid in Cash 2003	114,277
Encumbrances	153,560
GAAP Basis	\$ (47,662)

4. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*”, GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”, GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”, GASB Statement No. 41, “*Budgetary Comparison Schedule - Perspective Differences*”, and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*”. At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

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**Notes to the Financial Statements
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(Continued)**

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the government not being able to present budgetary comparisons for the general and each major special revenue fund.

The government-wide financial statements split the City's programs between business-type and governmental activities. The beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental fund at December 31, 2002, caused by the conversion to the full accrual basis of accounting.

B. Restatement of Fund Balance

These restatements had the following effects on fund balance of the major and non-major funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the government activities is also presented.

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**Notes to the Financial Statements
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(Continued)**

	<u>General</u>	Bellevue Development <u>Corporation</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balance - December 31, 2002	\$ 4,290,013	\$ 1,934,990	\$ 1,864,709	\$ 8,089,712
Interpretation No. 6	74,659	-	28,300	102,959
Private Trust Funds	-	-	(27,012)	(27,012)
Permanent Trust Funds	-	-	69,369	69,369
Adjusted Fund Balance	<u>\$ 4,364,672</u>	<u>\$ 1,934,990</u>	<u>\$ 1,935,366</u>	8,235,028
GASB 34 Adjustments:				
Capital Assets				6,681,051
Accrued Interest Payable				(8,264)
Long-Term Liabilities				(2,377,201)
Long-Term (Deferred) Assets				987,216
Governmental Activities Net Assets, December 31, 2002				<u>\$ 13,517,830</u>

5. 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 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 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.

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**Notes to the Financial Statements
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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;
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 (STAR Ohio); 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

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**Notes to the Financial Statements
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(Continued)**

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 year-end, the carrying amount of the City's deposits was \$7,661,774 and the bank balance was \$7,950,663. Of the bank balance:

1. \$644,927 was covered by federal depository insurance;
2. \$6,450,720 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC;
3. \$855,016 was uncollateralized and uninsured. These monies are under the control of the Bellevue Development Corporation.

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.

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

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**Notes to the Financial Statements
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(Continued)**

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.

		Carrying Amount	Fair Value
Treasury Investment	Category A	\$ 4,000	\$ 4,000
STAR Ohio	Not Categorized	3,741,665	3,741,665
Total Investments		\$ 3,745,665	\$ 3,745,665

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 Proprietary 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:

	Equity with City Treasurer	Investments
GASB Statement 9	\$ 11,407,934	\$ -
Cash on Hand	(495)	-
Treasury Investment	(4,000)	4,000
STAR Ohio	(3,741,665)	3,741,665
Per GASB 3	\$ 7,661,774	\$ 3,745,665

Amounts above include balances of the City's revolving loan fund in the amount of \$1,155,047 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.

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**Notes to the Financial Statements
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(Continued)**

	<u>Reconciliation to Balance Sheet</u>
City's Deposits	\$ 7,661,774
Petty Cash and Drawer Change	495
Investments	3,745,665
Total	<u>\$ 11,407,934</u>
Per Balance Sheets	
Government Wide Statement of Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 10,201,321
Cash and Cash Equivalents in Segregated Accounts	1,160,537
Cash with Fiscal Agents	714
Statement of Fiduciary Net Asset:	
Equity In Pooled Cash, Cash Equivalents, and Investments	29,646
Cash and Cash Equivalents in Segregated Accounts	15,716
Total	<u>\$ 11,407,934</u>

6. RECEIVABLES

Receivables at December 31, 2003, 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 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Public utility tangible personal property currently is assessed at

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**Notes to the Financial Statements
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varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility real and tangible personal property taxes received in 2003 became a lien December 31, 2001, are levied after October 1, 2002, and are collected with real property taxes.

Tangible personal property taxes received in 2003 are levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

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. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property taxes were based are as follows:

	Sandusky County	Huron County
Real Property - 2002 Valuation:		
Residential/Agricultural	\$ 52,090,840	\$ 32,977,640
Public Utilities	8,490	299,760
Commercial/Industrial	11,604,780	12,981,450
Total Real Property	63,704,110	46,258,850
Tangible Personal Property - 2003 Valuation:		
General	10,400,870	28,396,250
Public Utilities	1,764,790	2,776,910
Total Personal Property	12,165,660	31,173,160
Total Assessed Valuation	\$ 75,869,770	\$ 77,432,010

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

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

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.

The County Treasurers collects property taxes on behalf of all taxing districts within the counties, including the City of Bellevue. The County Auditors periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, they were not levied to finance 2003 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. The income tax receivable at December 31, 2003 was \$1,029,026.

Due from Other Governments

A summary of due from other governments follows:

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

	<u>Amounts</u>
Governmental Activities	
Local Government and Local Government Revenue Assistance	\$ 270,122
Personal Property Exemption	3,432
Homestead and Rollback	32,271
Gasoline and Excise Tax	112,040
Motor Vehicle License Fees	44,697
Permissive Motor Vehicle License Tax	24,339
CDBG Grants	480,779
N. Bellevue Industrial Project Grants	236,650
Total	<u>\$ 1,204,330</u>

7. 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, 2003 were as follows:

Autoplas, Inc.	5%	Matures 2004	\$ 4,225
KMH Properties	5%	Matures 2005	89,891
Windsor Mold Ohio, Inc.	5%	Matures 2005	87,461
Woodard Photographic	5%	Matures 2005	41,151
Precision	5%	Matures 2011	410,010
Down Home Foods	5%	Matures 2009	38,072
Total Notes Receivable			<u>\$ 670,810</u>

8. 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 2003, the

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

City contracted through Cincinnati Insurance Company for property, fleet, crime and liability insurance.

Coverages provided are as follows:

	<u>Per Occurrence</u>	<u>Annual Aggregate</u>
Building and Contents- Replacement Cost	\$2,500 Deductible	\$ 30,423,081
Employee Liability	\$1,000,000 per Occurrence	1,000,000
Law Enforcement	\$7,500 Deductible	1,000,000
Automobile		
Comprehensive	\$250 Deductible	1,000,000
Collision	\$500 Deductible	1,000,000
Inland Marine	\$500 Deductible	915,331
Boiler and Machinery	\$250 Deductible	Various
Electronic Data Processing	\$250 Deductible	153,215
Blanket Bond	\$50,000 per Occurrence	

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

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003:

	<u>Balance</u> <u>12/31/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/03</u>
Governmental Activities:				
Land	\$ 719,694			\$ 719,694
Land Improvements	110,627			110,627
Buildings	5,386,470	\$ 8,395		5,394,865
Furniture and Equipment	1,978,004	172,107		2,150,111

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

	Balance 12/31/02	Additions	Retirements	Balance 12/31/03
Infrastructure		217,725		217,725
Vehicles	2,487,851			2,487,851
Total Capital Assets	10,682,646	398,227		11,080,873
Less Accumulated Depreciation:				
Land Improvements	(28,430)	(5,057)		(33,487)
Buildings	(1,248,152)	(134,872)		(1,383,024)
Furniture and Equipment	(1,042,363)	(214,920)		(1,257,283)
Infrastructure		(2,722)		(2,722)
Vehicles	(1,682,650)	(148,763)		(1,831,413)
Totals Accumulated Depreciation	(4,001,595)	(506,334)		(4,507,929)
Governmental Activities-Assets, Net	\$ 6,681,051	\$ (108,107)		\$ 6,572,944
Business-Type Activities (Water Fund):				
Land	\$ 3,474,890			\$ 3,474,890
Buildings	3,661,643			3,661,643
Equipment and Machinery	1,419,094	\$ 38,780		1,457,874
Vehicles	135,132			135,132
Infrastructure	4,997,717	1,118,226		6,115,943
Total Capital Assets	13,688,476	1,157,006		14,845,482
Total Accumulated. Depreciation	(5,997,131)	(318,125)		(6,315,256)
Business-Type (Water Fund) Capital Assets, Net	\$ 7,691,345	\$ 838,881		\$ 8,530,226
Business-Type Activities (Wastewater) Pollution Fund):				
Land	\$ 58,060			\$ 58,060
Buildings	6,421,868			6,421,868
Equipment and Machinery	2,427,792	\$ 4,908		2,432,700
Vehicles	93,632			93,632
Infrastructure	2,916,179			2,916,179
Total Capital Assets	11,917,531	4,908		11,922,439
Total Accumulated. Depreciation	(6,975,488)	(458,995)		(7,434,483)
Business-Type (Wastewater Pollution Fund) Capital Assets, Net	\$ 4,942,043	\$ (454,087)		\$ 4,487,956

* Depreciation expense was charged to governmental functions as follows:

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

General Government:	
Legislative and Executive	\$ 19,356
Judicial	1,475
Security of Person and Places	19,440
Public Health and Welfare	419
Leisure Time Activities	2,055
Transportation	9,465
Community Environment	509
Unallocated Depreciation	<u>453,615</u>
Total Depreciation Expense	<u><u>\$ 506,334</u></u>

10. 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, 2003, 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 \$766,756.

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 \$298,629 has been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

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.

11. LONG TERM LIABILITIES

	Principal Outstanding 12/31/02	Additions	Retirements	Principal Balance 12/31/03	Amounts Due in One Year
Governmental Activities:					
<u>Special Assessment Bonds:</u>					
W. Main Improvement Issued 09/01/84, 4.85%	\$ 2,000		\$ 1,000	\$ 1,000	\$ 1,000
Municipal Building Bonds Issued 1999, 5.8%	1,810,000		70,000	1,740,000	75,000
Capital Leases	21,250		21,250		
Compensated Absences Payable	541,951	\$ 74,568		616,519	206,839
Total Governmental Type Activities Debt	<u>\$ 2,375,201</u>	<u>\$ 74,568</u>	<u>\$ 92,250</u>	<u>\$ 2,357,519</u>	<u>\$ 282,839</u>
Business-Type Activities:					
O.W.D.A. Loan Issued 07/6/93, 4.8%	\$ 2,942,822		\$ 221,456	\$ 2,721,366	\$ 232,213
Compensated Absences Payable	465,614		16,748	448,866	181,800
Total Business-Type Debt	<u>\$ 3,408,436</u>		<u>\$ 238,204</u>	<u>\$ 3,170,232</u>	<u>\$ 414,013</u>

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.

Special assessment bonds consist of street and sewer system improvements which are payable from the proceeds of tax assessments against individual property owners. The bonds are supported by the full faith and credit of the City of Bellevue. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the bonds, the City will be required to pay the related debt.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

The outstanding O.W.D.A. loan consists of a loan agreement between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loan will be paid from resources of the Wastewater Treatment fund.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2003, including total interest payments of \$1,649,323 are as follows:

Year Ending December 31:	General Obligation Bonds	O.W.D.A. Loan	Special Assessment Bonds
2004	\$ 170,819	\$ 360,085	\$ 1,101
2005	167,350	360,085	
2006	168,825	360,085	
2007	169,985	360,085	
2008	170,820	360,084	
2009 - 2013	835,370	1,620,385	
2014 - 2018	837,330		
2019 - 2020	169,280		
	<u>2,689,779</u>	<u>3,420,809</u>	<u>1,101</u>
Less: Interest Expense	949,779	699,443	101
Total Principal	<u>\$ 1,740,000</u>	<u>\$ 2,721,366</u>	<u>\$ 1,000</u>

12. 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, 2003. 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, 2003, Hospital Facilities Revenue Bonds outstanding aggregated \$11,000,000.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

The employees of the City of Bellevue 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.

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 that has elements of both a defined benefit and a defined contribution 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-Director 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.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The employee contribution rate for 2003 was 8.5 percent for employees. The 2003 employer contribution rate was 8.55 percent of covered payroll. The City's contributions for pension

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

obligations to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$233,573, \$187,755, and \$196,570; respectively; 91.9 percent representing the paid contribution for 2003 and 100 percent for 2002 and 2001. \$30,601, representing the unpaid contribution for 2003, is recorded as a liability in the individual funds that incurred the costs.

Ohio Police and Fireman's Disability and Pension Fund - The City of Bellevue contributes to the Ohio Police and Fireman'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 11.75 percent and 16.25 percent respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2003, 2002 and 2001 were \$201,909, \$129,025, and \$143,493, respectively, equal to the required contributions for the year. 92.0 percent has been contributed for 2003 and 100 percent for 2002 and 2001. \$15,948, representing the unpaid contribution for 2003, is recorded as an expenditure to the individual funds that incurred the costs.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System - 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

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 contribution rate for local government employer units was 13.55 percent of covered payroll; and 5.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. 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 market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 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 4.00 annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The city's contribution to fund postemployment benefits was \$86,188.

\$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggest, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 to 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

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 Postemployment 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 2002 and 2003. 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.

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for police and 10,396 for firefighters.

The amount that the city contributed as the employer's share to pay postemployment benefits for 2003 was \$73,401.

The Fund's total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation was \$141,028,006 which was net of member contributions of \$12,623,875.

15. SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates two enterprise funds which provide water and treatment of sewage services. The key financial information for the year ended December 31, 2003 for this enterprise activity is as follows:

	<u>Water Fund</u>	<u>Wastewater Pollution Fund</u>
Operating Revenue	\$ 1,920,340	\$ 1,785,794
Operating Expenses less Depreciation	1,601,284	984,926
Depreciation	318,125	458,995
Operating Income	931	341,873
Change in Net Assets	13,093	216,828
Capital Assets	8,530,226	4,487,956
Asset Additions	1,127,323	4,908
Total Assets	11,428,454	6,682,790
Bonds and Note Debt	-	2,721,366
Net Working Capital	2,628,867	1,872,893
Total Net Assets	10,996,016	3,767,707

16. 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

**CITY OF BELLEVUE
HURON COUNTY**

**Notes to the Financial Statements
December 31, 2003
(Continued)**

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.

17. 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.

18. INTERFUND TRANSFERS

During 2003, the General Fund made transfers to other governmental funds, in the amount of \$696,469 to subsidize various activities in other funds. Other governmental funds (the Cemetery Fund) made transfers, in the amount of \$648 to other governmental funds (the Cemetery Endowment fund) which reflects ten percent of the cemetery lots sold.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Bellevue
Huron County
3000 Seneca Industrial Parkway
Bellevue, Ohio 44811-8709

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 1, 2004, which was qualified due to our inability to obtain sufficient evidential matter supporting capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions of the governmental activities and the business-type activities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated October 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting 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 2003-002.

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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 1, 2004.

This report is intended for the information and use of the audit committee, management, and City Council, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 1, 2004

**CITY OF BELLEVUE
HURON COUNTY**

**Schedule of Findings
December 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue. The City's appropriations exceeded estimated resources in the funds at December 31, 2003:

<u>Fund Name</u>	<u>Fund Number</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Cemetery Fund	205	\$ 93,384	\$ 107,920	\$ 14,536
Hotel/Motel Tax Fund	209	20,500	25,000	4,500
Community Development Block Grant Fund	210	133,221	317,000	183,779
Law Enforcement Forfeiture Fund	213	2,677	3,000	323
North Bellevue Industrial Area Project Fund	223	158,350	2,785,000	2,626,650
Capital Projects Fund	301	1,044,018	1,047,500	3,482

Failure to limit appropriations to estimated revenue could result in expenditures exceeding available resources. The City should review estimated resources prior to appropriating the funds.

FINDING NUMBER 2003-002

Material Weakness - Capital Assets

The City does not maintain an adequate detailed capital asset listing for capital assets. Also, depreciation expense was calculated by major class of assets rather than by individual asset or like assets. The failure to maintain an accurate capital asset listing and calculate depreciation by individual assets did not enable auditors to obtain sufficient evidential matter regarding the amounts

FINDING NUMBER 2003-002
(Continued)

reported for capital assets on the Statement of Net Assets and depreciation expense on the Statements of Activities and the 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.

The City should have a formal policy in place to track additions and 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 approval 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. In addition, the City should adopt a capitalization policy for assets and set a dollar threshold for which items should be included.

**CITY OF BELLEVUE
HURON COUNTY**

**Schedule of Prior Audit Finding
December 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Material weakness regarding lack of capital asset support.	No	Not corrected. Repeat as Finding Number 2003-002.



**Auditor of State
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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
DECEMBER 7, 2004**