

**CITY OF BELLEVUE, OHIO
HURON COUNTY**

AUDIT REPORT AND BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
City of Bellevue
3000 Seneca Industrial Parkway
Bellevue, Ohio 44811-8709

We have reviewed the *Independent Auditor's Report* of the City of Bellevue, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 25, 2007

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**CITY OF BELLEVUE, OHIO
HURON COUNTY
AUDIT REPORT AND BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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INDEPENDENT AUDITOR'S REPORT

To Members of City Council
City of Bellevue, Ohio

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio as of and for the year ended December 31, 2006, which collectively comprise the City of Bellevue, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bellevue, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine amounts reported as capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Wastewater Pollution Fund, and the Water Fund, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2007, on our consideration of the City of Bellevue, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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


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

June 14, 2007

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

The discussion and analysis of the City of Bellevue's financial performance provides an overall view of the City's financial activities for the year ended December 31, 2006. 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 2006 are as follows:

- The City's net assets increased \$250,519 as a result of this year's operations. The net assets of our governmental activities increased \$708,350 or 5.77 percent, and net assets for our business-type decreased by \$457,831 or 2.56%.
- During the year, the City had expenses for governmental activities in the amount of \$5,919,734, which was covered by program and other revenues of \$6,628,084.
- Business-Type activities applied program revenues of \$3,667,809 to \$4,125,640 of expenses in 2006, thus a loss of \$457,831.

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

**CITY OF BELLEVUE, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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 2006?” 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, Basic Utilities, and Leisure Time Activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The water fund and wastewater pollution fund are reported as business-type activities.

Reporting the City’s Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the City’s major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City’s most significant funds. The City’s major governmental funds are the general, street, and Bellevue Development Corporation.

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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

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

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 2006:

Table 1 - Net Assets

	<u>Governmental Activities</u> 2006	<u>Business- Type Activities</u> 2006	<u>Total 2006</u>	<u>Total 2005</u>
<u>Assets</u>				
Current and Other Assets	\$ 7,277,305	\$ 3,397,294	\$10,674,599	\$12,509,942
Capital Assets	<u>8,749,976</u>	<u>23,978,580</u>	<u>32,728,556</u>	<u>30,390,207</u>
Total Assets	<u>\$16,027,281</u>	<u>\$27,375,874</u>	<u>\$43,403,155</u>	<u>\$42,900,149</u>
<u>Liabilities</u>				
Other Liabilities	\$ 916,473	\$ 321,741	\$ 1,238,214	\$ 1,764,948
Long-Term Liabilities	<u>2,116,519</u>	<u>9,662,471</u>	<u>11,778,990</u>	<u>11,140,547</u>
Total Liabilities	<u>3,032,992</u>	<u>9,984,212</u>	<u>13,017,204</u>	<u>12,905,495</u>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Debt	7,239,976	14,604,896	21,844,872	20,123,375
Restricted	1,916,760	0	1,916,760	2,983,486
Unrestricted (Deficit)	<u>3,837,553</u>	<u>2,786,766</u>	<u>6,624,319</u>	<u>6,887,793</u>
Total Net Assets	<u>\$12,994,289</u>	<u>\$17,391,662</u>	<u>\$30,385,951</u>	<u>\$29,994,654</u>

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Table 2 shows the changes in net assets for the year 2006.

Table 2 - Changes in Net Assets

	<u>Governmental Activities</u> 2006	<u>Business- Type Activities</u> 2006	<u>Total 2006</u>	<u>Total 2005</u>
<u>Revenues</u>				
Program Revenues:				
Charges for Services	\$ 610,015	\$ 3,567,384	\$ 4,177,399	\$ 4,742,010
Operating Grants	391,486	0	391,486	696,154
Capital Grants	0	100,425	100,425	3,161,795
General Revenue:				
Municipal Income Taxes	3,309,209	0	3,309,209	3,269,079
Property Taxes	830,958	0	830,958	608,074
Grants and Entitlements	728,182	0	728,182	868,302
Unrestricted Investment Earnings	373,994	0	373,994	296,098
Other	384,240	0	384,240	314,796
Total Revenues	<u>6,628,084</u>	<u>3,667,809</u>	<u>10,295,893</u>	<u>13,956,308</u>
<u>Program Expenses</u>				
General Government:				
Legislative and Executive	1,599,899	0	1,599,899	1,694,503
Judicial	243,871	0	243,871	234,438
Security of Persons and Property	2,590,809	0	2,590,809	2,656,568
Public Health and Welfare	175,187	0	175,187	311,808
Transportation	550,298	0	550,298	1,021,357
Community Environment	229,838	0	229,838	872,491
Basic Utilities	102,006	0	102,006	2,596,427
Leisure Time Activities	339,317	0	339,317	495,709
Interest and Fiscal Charges	88,509	0	88,509	92,061
Water Fund	0	2,029,954	2,029,954	2,332,564
Sewer Fund	0	2,095,686	2,095,686	1,902,708
Total Expenses	<u>5,919,734</u>	<u>4,125,640</u>	<u>10,045,374</u>	<u>14,210,634</u>
Increase (Decrease) in Net Assets	<u>\$ 708,350</u>	<u>\$ (457,831)</u>	<u>\$ 250,519</u>	<u>\$ (254,326)</u>

Governmental Activities

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

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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

Thus, the City depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 62.5 percent of revenues for governmental activities in calendar year 2006.

General Government Legislative and Executive comprise 27 percent of governmental program expenses. Interest expense was 1.50 percent. Interest expense was attributable to outstanding bonds and borrowing for capital projects.

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

Table 3 - Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Net Cost of Services 2005
General Government:			
Legislative and Executive	\$ 1,599,899	\$ 1,267,073	\$ 1,370,890
Judicial	243,871	243,871	234,438
Security of Persons and Property	2,590,809	2,509,517	2,553,000
Public Health and Welfare	175,187	93,407	190,360
Transportation	550,298	(166,668)	489,277
Community Environment	229,838	228,338	185,642
Basic Utility	102,006	102,006	2,596,427
Leisure Time Activities	339,317	173,591	350,809
Interest and Fiscal Charges	88,509	88,509	92,061
Total Expenses	<u>\$ 5,919,734</u>	<u>\$ 4,539,644</u>	<u>\$ 8,062,904</u>

The dependence upon tax revenues for governmental activities is apparent. Over 88.7 percent of program expenses and services are supported through taxes and other general revenues. The community, as a whole, is by far the primary support for the City.

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Business-Type Activities

Business-type activities include the water and sewer fund. These programs had revenues of \$3,667,809 and expenses of \$4,125,640 for the year 2006 for a decrease in net assets of \$457,831. Business activities receive no support from tax revenues.

The City's Funds

Information about the City's major funds starts on page 13. 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 \$6,580,519 and expenditures of \$6,669,856. The General Fund, which is always a major fund, had a net decrease in fund balance of \$225,822. This decline indicated the City needed to increase its revenue base to continue meeting City obligations as a whole.

Another major fund is the Bellevue Development Corporation Fund, which accounts for revolving loans at low interest rates made to local businesses to stimulate employment and expansion. This fund is administered by the Bellevue Development Corporation, a non-profit corporation. The only source of revenue this year was interest on investments of \$49,215. The net change in the fund balance of the Bellevue Development Corporation Fund was an increase of \$6,853 that was mainly for administrative expenses and for a project consultant.

The Street Fund, which was a major fund for the first time this year, had revenues of \$585,255, \$200,000 of which was transferred from the general fund. It had expenditures of \$558,044 and ended the year with an increase in the fund balance of \$27,211.

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 2006 the City amended its general fund budget only a few times, none significant. The City uses department based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was \$5,462,847 compared to the original revenue budget of \$5,149,722, a difference of \$313,125. This estimate was applied to the final budget amount of expenditures and encumbrances of \$5,672,932. The City's ending unobligated cash balance was \$1,960,529.

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of 2006, the City had \$32,728,556 invested in land, buildings and improvements, equipment, vehicles and infrastructure. \$8,649,629 is reported in the governmental activities. Table 4 shows the 2006 balances.

Table 4 - Capital Assets, Net of Accumulated Depreciation

	Governmental	Business- Type	Total 2006	Total 2005
	2006	2006		
Land and Land Improvements	\$ 719,694	\$ 3,532,950	\$ 4,252,644	\$ 4,252,644
Construction in Progress	0	0	0	6,637,848
Buildings and Improvements	5,821,547	16,635,073	22,456,620	15,814,339
Furniture, Machinery, and Equipment	2,527,469	4,146,355	6,673,824	6,380,101
Vehicles	2,945,616	228,764	3,174,380	2,780,520
Infrastructure	2,659,770	15,872,906	18,532,676	15,298,961
Total Capital Assets, Net of Accumulated Depreciation	14,674,096	40,416,048	55,090,144	51,164,413
Accumulated Depreciation	(5,924,120)	(16,437,468)	(22,361,588)	(20,774,206)
Totals	<u>\$ 8,749,976</u>	<u>\$ 23,978,580</u>	<u>\$ 32,728,556</u>	<u>\$ 30,390,207</u>

Debt

At December 31, 2006, the City had \$10,902,406 in bonds and loans outstanding, \$932,658 due within one year. Table 5 summarizes bond and loans outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental	Business- Type	Total 2006	Total 2005
	2006	2006		
Municipal Building	\$ 1,510,000	\$ 0	\$ 1,510,000	\$ 1,590,000
O.W.D.A Loans	0	9,392,406	9,392,406	8,676,832
Total	<u>\$ 1,510,000</u>	<u>\$ 9,392,406</u>	<u>\$ 10,902,406</u>	<u>\$ 10,266,832</u>

Outstanding general obligation bonds consist of a municipal building issue. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. The outstanding O.W.D.A. loans consist of loan agreements between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loans will be paid from resources of the Wastewater Treatment fund. This year the City was approved for \$989,327 in new loans, which the City is using for wastewater treatment construction.

**CITY OF BELLEVUE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

For the Future

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

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

Contacting the City's Financial Management

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,474,420	\$ 2,692,079	\$ 6,166,499
Cash and Cash Equivalents:			
In Segregated Accounts	655,550	8,474	664,024
Receivables:			
Taxes	1,715,907	-	1,715,907
Accounts	61,290	521,414	582,704
Accrued Interest	4,656	-	4,656
Due from Other Governments	645,930	-	645,930
Prepaid Items	14,841	-	14,841
Material and Supplies Inventory	50,215	175,327	225,542
Notes Receivable	654,496	-	654,496
Capital assets, No Depreciation	719,694	3,532,950	4,252,644
Capital assets, net of depreciation	8,030,282	20,445,630	28,475,912
Total Assets	\$ 16,027,281	\$ 27,375,874	\$43,403,155
Liabilities:			
Accounts Payable	\$ 137,923	\$ 118,145	\$ 256,068
Accrued Wages	59,223	18,702	77,925
Due to Other Governments	67,201	6,271	73,472
Deferred Revenue	645,141	-	645,141
Undistributed Monies	-	8,474	8,474
Accrued Interest Payable	6,985	170,149	177,134
Long-Term Liabilities:			
Due within one year	238,513	945,182	1,183,695
Due in more than one year	1,878,006	8,717,289	10,595,295
Total Liabilities	3,032,992	9,984,212	13,017,204
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,239,976	14,604,896	21,844,872
Restricted for:			
Capital	1,040,036	-	1,040,036
Debt	23,377	-	23,377
Perpetual Care Unexpendable	6,760	-	6,760
Perpetual Care Expendable	65,674	-	65,674
Special Purposes	780,913	-	780,913
Unrestricted	3,837,553	2,786,766	6,624,319
Total Net Assets	\$ 12,994,289	\$ 17,391,662	\$30,385,951

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 1,599,899	\$ 332,826	\$ -	\$ -	\$ (1,267,073)		\$ (1,267,073)
Judicial	243,871	-	-	-	(243,871)		(243,871)
Security of Persons and Property	2,590,809	50,192	24,889	-	(2,515,728)		(2,515,728)
Public Health and Welfare	175,187	81,780	-	-	(93,407)		(93,407)
Transportation	550,298	-	349,427	-	(200,871)		(200,871)
Community Environment	229,838	1,500	-	-	(228,338)		(228,338)
Basic Utilities	102,006	-	-	-	(102,006)		(102,006)
Leisure Time Activities	339,317	143,717	17,170	-	(178,430)		(178,430)
Interest and Fiscal Charges	88,509	-	-	-	(88,509)		(88,509)
Total Governmental Activities	5,919,734	610,015	391,486	-	(4,918,233)		(4,918,233)
Business-Type activities:							
Water Fund	2,029,954	1,774,614	-	-		(255,340)	(255,340)
Sewer Fund	2,095,686	1,792,770	-	100,425		(202,491)	(202,491)
Total Business-Type activities	4,125,640	3,567,384	-	100,425		(457,831)	(457,831)
Total primary government	\$ 10,045,374	\$ 4,177,399	\$ 391,486	\$ 100,425	(4,918,233)	(457,831)	(5,376,064)
General revenues:							
Taxes:							
Municipal Income Tax					3,309,209	-	3,309,209
Property taxes, levied for general purposes					830,958	-	830,958
Grants and contributions not restricted to specific programs					728,182	-	728,182
Unrestricted investment earnings					373,994	-	373,994
Miscellaneous					384,240	-	384,240
Total general revenues					5,626,583	-	5,626,583
Change in net assets					708,350	(457,831)	250,519
Net Assets - January 1, 2006					12,285,939	17,849,493	30,135,432
Net Assets - December 31, 2006					\$ 12,994,289	\$ 17,391,662	\$ 30,385,951

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Street	Bellevue Development Corporation	Other Governmental Funds	Total Governmental Funds
<u>Assets and Other Debits</u>					
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,023,027	\$ 59,702	\$ -	\$ 1,391,691	\$ 3,474,420
Cash and Cash Equivalents in Segregated Accounts	495	-	655,055	-	655,550
Receivables:					
Taxes	1,251,351	-	-	464,556	1,715,907
Accounts	54,213	-	-	7,077	61,290
Accrued Interest	-	-	4,656	-	4,656
Due from Other Funds	1,696	-	-	-	1,696
Due from Other Governments	315,291	279,008	-	51,631	645,930
Prepaid Items	14,841	-	-	-	14,841
Material and Supplies Inventory	7,943	42,272	-	-	50,215
Notes Receivable	-	-	654,496	-	654,496
	<u>3,668,857</u>	<u>380,982</u>	<u>1,314,207</u>	<u>1,914,955</u>	<u>7,279,001</u>
Total Assets	<u>\$ 3,668,857</u>	<u>\$ 380,982</u>	<u>\$ 1,314,207</u>	<u>\$ 1,914,955</u>	<u>\$ 7,279,001</u>
<u>Liabilities:</u>					
Accounts Payable	\$ 103,576	\$ 404	\$ -	\$ 33,943	\$ 137,923
Accrued Wages	49,155	5,718	-	4,350	59,223
Due to Other Funds	-	-	-	1,696	1,696
Due to Other Governments	63,825	1,917	-	1,459	67,201
Deferred Revenue	1,273,712	251,934	1,010	462,000	1,988,656
	<u>1,490,268</u>	<u>259,973</u>	<u>1,010</u>	<u>503,448</u>	<u>2,254,699</u>
Total Liabilities	<u>1,490,268</u>	<u>259,973</u>	<u>1,010</u>	<u>503,448</u>	<u>2,254,699</u>
<u>Fund Balances:</u>					
Reserved for Notes Receivable	-	-	654,496	-	654,496
Reserved for Encumbrances	32,985	-	-	43,217	76,202
Reserved for Inventory	7,943	42,272	-	-	50,215
Reserved for Perpetual Care	-	-	-	6,760	6,760
Unreserved	2,137,661	-	-	-	2,137,661
Unreserved, Reported in:					
Special Revenue Funds	-	78,737	-	934,334	1,013,071
Debt Service Fund	-	-	-	23,377	23,377
Capital Projects Funds	-	-	658,701	338,145	996,846
Permanent Funds	-	-	-	65,674	65,674
	<u>2,178,589</u>	<u>121,009</u>	<u>1,313,197</u>	<u>1,411,507</u>	<u>5,024,302</u>
Total Fund Balances	<u>2,178,589</u>	<u>121,009</u>	<u>1,313,197</u>	<u>1,411,507</u>	<u>5,024,302</u>
Total Liabilities and Fund Balances	<u>\$ 3,668,857</u>	<u>\$ 380,982</u>	<u>\$ 1,314,207</u>	<u>\$ 1,914,955</u>	<u>\$ 7,279,001</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

Total Governmental Fund Balances		\$ 5,024,302
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,749,976
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	\$ 733,433	
Grants	583,476	
Property and Other Local Taxes	48,866	
Accrued Interest Receivable	1,010	1,366,785
 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	\$ (6,985)	
Compensated Absences Payable	(606,519)	
G. O. Bonds Payable	(1,510,000)	(2,123,504)
Net Assets of Governmental Activities		\$ 13,017,559

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Street	Bellevue Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Municipal Income Tax	\$ 3,203,174	\$ -	\$ -	\$ -	\$ 3,203,174
Property and Other Taxes	306,765	-	-	540,739	847,504
Intergovernmental	689,828	384,286	-	85,829	1,159,943
Investment Income	318,037	-	49,215	6,845	374,097
Licenses and Permits	50,413	-	-	-	50,413
Fines and Forfeitures	107,065	-	-	29,536	136,601
Charges for Services	392,783	-	-	217,232	610,015
Miscellaneous	117,005	969	-	80,798	198,772
Total Revenue	5,185,070	385,255	49,215	960,979	6,580,519
Expenditures:					
Current:					
General Government:					
Legislative and Executive	1,526,755	-	-	69,299	1,596,054
Judicial	239,066	-	-	2,980	242,046
Security of Persons and Property	2,014,792	-	-	728,771	2,743,563
Public Health and Welfare	148,160	-	-	90,231	238,391
Transportation	-	558,044	-	421,560	979,604
Community Environment	178,294	-	42,362	14,469	235,125
Basic Utilities	-	-	-	33,977	33,977
Leisure Time Activities	-	-	-	462,271	462,271
Debt Service:					
Principal Retirement	-	-	-	80,000	80,000
Interest and Fiscal Charges	-	-	-	88,825	88,825
Total Expenditures	4,107,067	558,044	42,362	1,992,383	6,699,856
Excess of Revenues Over (Under) Expenditures	1,078,003	(172,789)	6,853	(1,031,404)	(119,337)
Other Financing Sources (Uses):					
Transfers In	-	200,000	-	1,105,327	1,305,327
Transfers Out	(1,303,825)	-	-	(1,502)	(1,305,327)
Total Other Sources (Uses)	(1,303,825)	200,000	-	1,103,825	-
Net Change in Fund Balance	(225,822)	27,211	6,853	72,421	(119,337)
Fund Balances (Deficit) at Beginning of Year	2,404,411	91,567	1,306,344	1,339,086	5,141,408
Increase in Reserved for Inventory	-	2,231	-	-	2,231
Fund Balances (Deficits) End of Year	\$ 2,178,589	\$ 121,009	\$ 1,313,197	\$ 1,411,507	\$ 5,024,302

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net Change in Fund Balances-Total Governmental Funds \$ (119,337)

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	\$ 1,282,227	
Depreciation	<u>(563,295)</u>	718,932

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

Municipal Income Taxes	\$ 106,035	
Grants	(41,821)	
Delinquent Property Taxes	(16,546)	
Interest On Investments	<u>(103)</u>	47,565

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

80,000

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

316

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

Reserved for Inventory	\$ 2,231	
Compensated Absences	<u>(21,357)</u>	<u>(19,126)</u>

Change in Net Assets of Governmental Activities \$ 708,350

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Municipal Income Taxes	\$ 3,365,000	\$ 3,462,000	\$ 3,421,728	\$ (40,272)
Property Taxes	305,722	295,722	286,004	(9,718)
Charges for Services	445,000	418,525	393,507	(25,018)
Licenses and Permits	55,000	56,000	50,413	(5,587)
Fines and Forfeitures	110,000	108,000	99,106	(8,894)
Intergovernmental	530,000	712,600	689,828	(22,772)
Investment Income	260,000	330,000	318,037	(11,963)
Other	79,000	80,000	76,788	(3,212)
Total Revenue	<u>5,149,722</u>	<u>5,462,847</u>	<u>5,335,411</u>	<u>(127,436)</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	2,379,726	2,379,726	1,603,447	776,279
Judicial	288,237	288,237	242,992	45,245
Security of Persons and Property	2,429,316	2,429,316	2,041,649	387,667
Public Health and Welfare	302,703	302,703	153,523	149,180
Community Environment	242,950	272,950	190,920	82,030
Total Expenditures	<u>5,642,932</u>	<u>5,672,932</u>	<u>4,232,531</u>	<u>1,440,401</u>
Excess of Revenues Over (Under) Expenditures	<u>(493,210)</u>	<u>(210,085)</u>	<u>1,102,880</u>	<u>1,312,965</u>
Other Financing Sources (Uses):				
Operating Transfers - Out	<u>(2,032,951)</u>	<u>(2,032,951)</u>	<u>(1,303,825)</u>	<u>729,126</u>
Total Other Sources (Uses)	<u>(2,032,951)</u>	<u>(2,032,951)</u>	<u>(1,303,825)</u>	<u>729,126</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(2,526,161)</u>	<u>(2,243,036)</u>	<u>(200,945)</u>	<u>2,042,091</u>
Fund Balances (Deficit) at Beginning of Year	1,776,138	1,776,138	1,776,138	-
Prior Year Encumbrances Appropriated	<u>385,336</u>	<u>385,336</u>	<u>385,336</u>	<u>-</u>
Fund Balances (Deficit) at End of Year	<u>\$ (364,687)</u>	<u>\$ (81,562)</u>	<u>\$ 1,960,529</u>	<u>\$ 2,042,091</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL -
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 330,000	\$ 387,500	\$ 382,115	\$ (5,385)
Other	<u>2,500</u>	<u>2,000</u>	<u>968</u>	<u>(1,032)</u>
Total Revenues	<u>332,500</u>	<u>389,500</u>	<u>383,083</u>	<u>(6,417)</u>
<u>Expenditures</u>				
Current:				
General Government				
Transportation	<u>645,226</u>	<u>645,226</u>	<u>566,855</u>	<u>78,371</u>
Total General Government	<u>645,226</u>	<u>645,226</u>	<u>566,855</u>	<u>78,371</u>
Total Expenditures	<u>645,226</u>	<u>645,226</u>	<u>566,855</u>	<u>78,371</u>
Excess of Revenues Over (Under) Expenditures	<u>(312,726)</u>	<u>(255,726)</u>	<u>(183,772)</u>	<u>71,954</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	<u>400,000</u>	<u>400,000</u>	<u>200,000</u>	<u>(200,000)</u>
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>400,000</u>	<u>200,000</u>	<u>(200,000)</u>
Net Change in Fund Balance	87,274	144,274	16,228	(128,046)
Fund Balances (Deficit) at Beginning of Year	113,133	113,133	113,133	0
Prior Year Encumbrances Appropriated	<u>7,876</u>	<u>7,876</u>	<u>7,876</u>	<u>0</u>
Fund Balances (Deficit) at Year End	<u>\$ 208,283</u>	<u>\$ 265,283</u>	<u>\$ 137,237</u>	<u>\$ (128,046)</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
DECEMBER 31, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Wastewater Pollution Fund</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 353,553	\$ 2,338,526	\$ 2,692,079
Cash and Cash Equivalents:			
In Segregated Accounts	8,474	-	8,474
Accounts Receivable	224,514	296,900	521,414
Inventory of Supplies	128,797	46,530	175,327
Total Current Assets	<u>715,338</u>	<u>2,681,956</u>	<u>3,397,294</u>
Capital Assets, (Not Depreciation)	3,474,890	58,060	3,532,950
Capital Assets, (Net of Accumulated Depreciation)	<u>9,820,162</u>	<u>10,625,468</u>	<u>20,445,630</u>
Total Assets	<u>\$ 14,010,390</u>	<u>\$ 13,365,484</u>	<u>\$ 27,375,874</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 72,305	\$ 45,840	\$ 118,145
Accrued Wages	12,161	6,541	18,702
Accrued Interest Payable	-	170,149	170,149
Compensated Absences Payable	80,669	16,855	97,524
Due to Other Governments	4,078	2,193	6,271
Undistributed Monies	8,474	-	8,474
OWDA Loan Payable	-	847,658	847,658
Total Current Liabilities	<u>177,687</u>	<u>1,089,236</u>	<u>1,266,923</u>
Long-Term Liabilities:			
Compensated Absences Payable	121,741	50,800	172,541
OWDA Loan Payable	-	8,544,748	8,544,748
Total Long-Term Liabilities	<u>121,741</u>	<u>8,595,548</u>	<u>8,717,289</u>
Total Liabilities	<u>299,428</u>	<u>9,684,784</u>	<u>9,984,212</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	13,313,774	1,291,122	14,604,896
Unrestricted	<u>397,188</u>	<u>2,389,578</u>	<u>2,786,766</u>
Total Net Assets	<u>\$ 13,710,962</u>	<u>\$ 3,680,700</u>	<u>\$ 17,391,662</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Totals
Operating Revenues:			
Charges for Services	\$ 1,757,927	\$ 1,787,976	\$ 3,545,903
Other Operating Revenues	5,431	1,320	6,751
Total Operating Revenues	<u>1,763,358</u>	<u>1,789,296</u>	<u>3,552,654</u>
Operating Expenses:			
Personal Services	915,734	540,287	1,456,021
Contractual Services	441,740	533,412	975,152
Claims and Judgements	-	-	-
Materials and Supplies	301,194	176,498	477,692
Other Operating Expense	992	-	992
Depreciation	370,294	653,793	1,024,087
Total Operating Expenses	<u>2,029,954</u>	<u>1,903,990</u>	<u>3,933,944</u>
Operating Income (Loss)	<u>(266,596)</u>	<u>(114,694)</u>	<u>(381,290)</u>
Non-Operating Revenues (Expenses):			
Tap-In Fees	11,256	3,474	14,730
Operating Grants	-	100,425	100,425
Interest and Fiscal Charges	-	(191,696)	(191,696)
Total Non-Operating Revenues (Expenses)	<u>11,256</u>	<u>(87,797)</u>	<u>(76,541)</u>
Change in Net Assets	(255,340)	(202,491)	(457,831)
Total Net Assets at Beginning of Year	<u>13,966,302</u>	<u>3,883,191</u>	<u>17,849,493</u>
Total Net Assets at End of Year	<u>\$ 13,710,962</u>	<u>\$ 3,680,700</u>	<u>\$ 17,391,662</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	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	\$ 1,751,158	\$ 1,753,888	\$ 3,505,046
Cash Received from Other Operating Sources	5,431	1,320	6,751
Cash Payments to Suppliers for Goods and Services	(896,925)	(756,534)	(1,653,459)
Cash Payments to Employees for Services	(927,834)	(535,440)	(1,463,274)
Net Cash Provided by (Used in) Operating Activities	(68,170)	463,234	395,064
Cash Flows from Noncapital Financing Activities:			
Operating Grants	-	100,425	100,425
Tap-In Fees	11,256	3,474	14,730
Net Cash Provided by Noncapital Financing Activities	11,256	103,899	115,155
Cash Flows from Capital & Related Financing Activities:			
Proceeds of OWDA Loan	-	988,275	988,275
Payment of OWDA Loans	-	(273,753)	(273,753)
Payments for Capital Acquisitions	(1,484,387)	(1,207,100)	(2,691,487)
Interest Paid	-	(148,898)	(148,898)
Net Cash Provided by Capital and Related Financing Activities	(1,484,387)	(641,476)	(2,125,863)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,541,301)	(74,343)	(1,615,644)
Cash and Cash Equivalents Beginning of Year	1,903,328	2,412,869	4,316,197
Cash and Cash Equivalents End of Year	\$ 362,027	\$ 2,338,526	\$ 2,700,553
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (266,596)	\$ (114,694)	\$ (381,290)
Adjustments:			
Net Cash from Operating Activities:			
Depreciation Expense	370,294	653,793	1,024,087
(Increase) Decrease in Assets:			
Accounts Receivable	(10,749)	(34,088)	(44,837)
Materials & Supplies inventory	(128,797)	(46,530)	(175,327)
Increase (Decrease) in Liabilities:			
Accounts Payable	(14,630)	(41,724)	(56,354)
Accrued Wages and Benefits	965	1,807	2,772
Compensated Absences Payable	(23,900)	5,412	(18,488)
Due to Other Governments	(5,042)	(2,420)	(7,462)
Undistributed Monies	3,980	-	3,980
Fixed Assets Purchased through Accounts Payable	6,305	41,678	47,983
Total Adjustments	198,426	577,928	776,354
Net Cash Provided by Operating Activities	\$ (68,170)	\$ 463,234	\$ 395,064

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS
DECEMBER 31, 2006**

<u>Assets:</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Equity in Pooled Cash and' Cash Equivalents	\$ 29,969	\$ 1,113
Cash and Cash Equivalents In Segregated Accounts	-	5,639
Accounts Receivable	-	2,107
	\$ 29,969	\$ 8,859
<u>Liabilities:</u>		
Undistributed Monies	-	8,859
	-	\$ 8,859
<u>Net Assets:</u>		
Unrestricted:		
Undesignated	29,969	
	\$ 29,969	

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS --
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest Income	\$ 540
Total Additions	<u>540</u>
 <u>Deductions:</u>	
Other Operating Expenses	214
Total Deductions	<u>214</u>
Change in Net Assets	326
Net Assets Beginning of Year	<u>29,643</u>
Net Assets End of Year	<u><u>\$ 29,969</u></u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1: DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

The City has included as a major fund the assets and operations of the City's revolving loan program, which is administered by the Bellevue Development Corporation, a nonprofit corporation. The City has not included the 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, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB 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 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 restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more 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.

B. **Fund Accounting**

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

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

Governmental Funds

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

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

Street Fund - This fund is used account for 92.5 percent of the City's share of gasoline taxes and motor vehicle license fees as required by state statute for the maintenance of the City's streets.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

B. **Fund Accounting** (Continued)

Governmental Funds (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 are for grants and other resources, debt service, and capital projects whose uses are restricted to a particular purpose.

Proprietary Funds

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

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

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

Wastewater Treatment 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 results of operations. The City does not have investment trust or pension trust funds.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from 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, property taxes, interest, grants, and miscellaneous account revenue.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Special assessments and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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

Expenses/Expenditures

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

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

E. **Budget**

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

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, for the period January 1 to December 31 of the following year. This requirement was waived by the Sandusky County Auditor for calendar year 2006.

Estimated Resources

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

E. **Budget** (Continued)

Estimated Resources (Continued)

certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

F. **Cash and Investments**

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

During 2006, investments were limited to certificates of deposit, money market accounts, passbook accounts and STAROhio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2006 amounted to \$318,037, which included \$218,775 assigned from other funds of the City.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAROhio) during the year 2006. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006.

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

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

G. Inventories

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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

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

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. Presently, there are no interfund receivables or payables.

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 are accrued if as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered; and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

K. Compensated Absences (Continued)

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

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 will be paid with current, expendable, available resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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 community development, notes receivable, perpetual care memorials, encumbrances, and inventories of supplies and materials.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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 restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. **Operating Revenues and Expenses**

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

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 on the financial statements.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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 2006.

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.

NOTE 3: **BUDGET BASIS OF ACCOUNTING**

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

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

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

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

	Net Change in Fund Balance	
	<u>General Fund</u>	<u>Street Fund</u>
Budget Basis	\$ (200,945)	\$ 16,226
Adjustments:		
Revenue Accruals:		
Accrual 2005, Received in Cash 2006	(406,824)	(24,904)
Accrued 2006, Net yet Received in Cash	256,483	27,074
Expenditure Accruals:		
Accrued 2006, Not yet Paid in Cash	(108,359)	14,818
Accrued 2006, Paid in Cash 2006	172,325	(8,039)
Encumbrances	62,498	2,036
GAAP Basis	<u>\$ (224,822)</u>	<u>\$ 27,211</u>

NOTE 4: **DEPOSITS AND INVESTMENTS**

Deposits

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

Deposits (Continued)

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

Deposits (Continued)

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

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

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$1,658,593 and the bank balance was \$1,810,569, \$407,996 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$5,208,157 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Included in the City's bank balance are deposits totaling \$655,055 that are under the control of the Bellevue Development Corporation.

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

Deposits (Continued)

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

Investments

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

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

<u>Investment Type</u>	<u>Investment Maturities</u> <u>(in Years)</u>	<u>Credit</u> <u>Rating</u>	<u>Fair Value</u>
STAROhio	Not Categorized	AAA	<u>\$5,935,836</u>

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

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

	<u>Reconciliation to Balance Sheet</u>
City's Deposits	\$ 1,658,593
Petty Cash and Drawer Change	495
Investments	<u>5,208,156</u>
Total	<u>\$ 6,867,244</u>
Per Balance Sheet:	
Government-wide Statement of Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 6,166,499
Cash and Cash Equivalents in Segregated Accounts	664,024
Statement of Fiduciary Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	31,082
Cash and Cash Equivalents in Segregated Accounts	<u>5,639</u>
Total	<u>\$ 6,867,244</u>

NOTE 5: **RECEIVABLES**

Receivables at December 31, 2006, 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 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2006 with real property taxes.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 5: **RECEIVABLES** (Continued)

Property Taxes (Continued)

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 18.75 percent of true value.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.75 for Huron County and \$4.96 for Sandusky County per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$5.97 for Huron County and \$5.91 for Sandusky County per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

	Sandusky County	Huron County
Real Property - 2005 Valuation		
Residential/Agricultural	\$ 53,247,610	\$ 37,238,480
Public Utilities	8,470	327,230
Commercial/Industrial	<u>10,699,590</u>	<u>14,755,590</u>
Total Real Property	<u>63,955,670</u>	<u>52,321,300</u>
 Tangible Personal Property - 2006 Valuation		
General	8,715,165	25,804,650
Public Utilities	<u>1,610,380</u>	<u>2,699,540</u>
Total Personal Property	<u>10,325,545</u>	<u>28,504,190</u>
Total Assessed Valuation	<u>\$ 74,281,215</u>	<u>\$ 80,825,490</u>

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

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 5: **RECEIVABLES** (Continued)

Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Bellevue. The County Auditors periodically 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, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor were they levied to finance 2006 operations. The receivable is therefore offset by deferred revenue.

Income Taxes

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

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

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

Due from Other Governments

A summary of due from other governments follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government and Local Government Revenue Assistance	\$ 310,249
Liquor Tax	53
Homestead and Rollback	12,083
Gasoline and Excise Tax	235,534
Motor Vehicle License Fees	60,051
Permissive Motor Vehicle License Tax	27,960
Total Governmental Activities	<u>\$ 645,930</u>

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 6: BELLEVUE DEVELOPMENT CORPORATION

The Bellevue Development Corporation (BDC) is a nonprofit organization whose primary efforts are to attract out-of-area companies to the City 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, 2006 were as follows:

Down Home Foods	5%	Matures 2009	\$ 36,021
Shear Illusions	5%	Matures 2016	20,000
KMH Properties	5%	Matures 2010	53,557
Selbro, Inc.	5%	Matures 2015	178,749
Gazette	2.5%	Matures 2011	111,915
Precision II	5%	Matures 2011	254,253
Total Notes Receivable			<u>\$ 654,495</u>

NOTE 7: INSURANCE

The City is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted through Cincinnati Insurance Company for property, fleet, crime and liability insurance. Coverage provided is as follows:

Building and Contents -			
Replacement Cost	\$2,500 Deductible, 90% Co-insured	\$	29,756,916
General Liability	Per Occurrence Limit	\$	1,000,000
General Liability	Aggregate	\$	3,000,000
Public Officials Liability	Aggregate/Each Claim	\$	1,000,000
Law Enforcement	\$10,000 Deductible	\$	1,000,000
Firefighter	\$5,000 Deductible	\$	5,000,000
Automobile - Comprehensive	\$250 Deductible	\$	1,000,000
Collision	\$500 Deductible	\$	1,000,000
Inland Marine	\$500 Deductible	\$	916,000
Boiler and Machinery	\$250 Deductible		Various
Electronic Data Processing	\$250 Deductible - Replacement Cost	\$	418,726
Equipment Breakdown Protection		\$	5,350,000
Blanket Bond	\$50,000 Per Occurrence		
Umbrella	Per Occurrence/Aggregate	\$	4,000,000
Public Employee Dishonest	\$250 Deductible/Per Loss	\$	50,000
Theft Disappearance	\$250 Deduction - Outside and Inside	\$	5,000

CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 7: **INSURANCE** (Continued)

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

NOTE 8: **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 is as follows:

	Balance 12/31/2005	Additions	Retirements	Balance 12/31/2006
Governmental Activities				
Land	\$ 719,694	\$ 0	\$ 0	\$ 719,694
Land Improvements	147,440	58,943	0	206,383
Buildings	5,583,388	31,776	0	5,615,164
Furniture and Equipment	2,347,176	180,293	0	2,527,469
Infrastructure	1,942,068	717,702	0	2,659,770
Vehicles	2,551,756	393,860	0	2,945,616
Construction in Progress	100,347	(100,347)	0	0
Total Capital Assets - Governmental Activities	13,391,869	1,282,227	0	14,674,096
Less Accumulated Depreciation:				
Land Improvements	(48,511)	(11,441)	0	(59,952)
Buildings	(1,658,646)	(140,379)	0	(1,799,025)
Furniture and Equipment	(1,438,783)	(188,303)	0	(1,627,086)
Infrastructure	(206,759)	(33,247)	0	(240,006)
Vehicles	(2,008,126)	(189,925)	0	(2,198,051)
Total Accumulated Depreciation	<u>(5,360,825)</u>	<u>(563,295)</u>	<u>0</u>	<u>(5,924,120)</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 8,031,044</u>	<u>\$ 718,932</u>	<u>\$ 0</u>	<u>\$ 8,749,976</u>
Business-type Activities				
Water Fund				
Land	\$ 3,474,890	\$ 0	\$ 0	\$ 3,474,890
Buildings	3,661,643	0	0	3,661,643
Equipment and Machinery	1,571,795	98,835	0	1,670,630
Vehicles	135,132	0	0	135,132
Infrastructure	10,379,672	1,379,247	0	11,758,919
Total Capital Assets - Water Fund	19,223,132	1,478,082	0	20,701,214
Less Accumulated Depreciation	<u>(7,035,868)</u>	<u>(370,294)</u>	<u>0</u>	<u>(7,406,162)</u>
Total Capital Assets - Business-type Activities - Water Fund, Net	<u>\$ 12,187,264</u>	<u>\$ 1,107,788</u>	<u>\$ 0</u>	<u>\$ 13,295,052</u>
Business-type Activities				
Wastewater Treatment Fund				
Land	\$ 58,060	\$ 0	\$ 0	\$ 58,060
Buildings	6,421,868	6,551,562	0	12,973,430
Equipment and Machinery	2,461,130	14,595	0	2,475,725
Vehicles	93,632	0	0	93,632
Infrastructure	2,977,221	1,136,766	0	4,113,987
Construction in Progress	6,537,501	(6,537,501)	0	0
Total Capital Assets - Wastewater Treatment Fund	18,549,412	1,165,422	0	19,714,834
Less Accumulated Depreciation	<u>(8,377,513)</u>	<u>(653,793)</u>	<u>0</u>	<u>(9,031,306)</u>
Total Capital Assets - Business-type Activities - Wastewater Treatment Fund, Net	<u>\$ 10,171,899</u>	<u>\$ 511,629</u>	<u>\$ 0</u>	<u>\$ 10,683,528</u>

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$ 5,986
Judicial	528
Security of Persons and Places	138,878
Public Health and Welfare	32,631
Leisure Time Activities	29,664
Transportation	338,461
Basic Utilities	14,925
Community Environment	<u>2,222</u>
Total Depreciation Expense	<u>\$ 563,295</u>

NOTE 9: **COMPENSATED ABSENCES**

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at 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, 2006, 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 \$699,495.

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 \$177,089 has been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts. Vacation leave may be accumulated up to a maximum of three times the employees' annual vacation allowance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 10: LONG-TERM LIABILITIES

	Principal Outstanding 12/31/2005	Additions	Retirements	Principal Balance 12/31/2006	Amounts Due in One Year
<u>Governmental Activities</u>					
Special Assessment Bonds - Municipal					
Building Bonds, Issued 1999, 5.8%	\$ 1,590,000	\$ 0	\$ 80,000	\$ 1,510,000	\$ 85,000
Compensated Absences Payable	<u>585,162</u>	<u>186,533</u>	<u>165,176</u>	<u>606,519</u>	<u>153,513</u>
Total Debt - Governmental Activities	<u>\$ 2,175,162</u>	<u>\$ 186,533</u>	<u>\$ 245,176</u>	<u>\$ 2,116,519</u>	<u>\$ 238,513</u>
<u>Business-type Activities</u>					
OWDA Loans - issued 7/6/93, 4.8%	\$ 2,245,660	\$ 540	\$ 126,147	\$ 2,120,053	\$ 397,437
issued 5/27/04, 2.5%	6,431,172	988,787	147,606	7,272,353	450,221
Compensated Absences Payable	<u>288,553</u>	<u>157,236</u>	<u>175,724</u>	<u>270,065</u>	<u>97,524</u>
Total Debt - Business-type Activities	<u>\$ 8,965,385</u>	<u>\$ 1,146,563</u>	<u>\$ 449,477</u>	<u>\$ 9,662,471</u>	<u>\$ 945,182</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.

The outstanding O.W.D.A. loans consist of loan agreements between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loans will be paid from resources of the Wastewater Treatment fund. This year the City was approved for \$989,327 in new loans, which the City used for part of the construction.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2006, including total interest payments of \$3,243,748 are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u> General Obligation Bonds	<u>Business-type Activities</u> OWDA Loan
2007	\$ 169,985	\$ 1,271,519
2008	172,820	845,301
2009	166,320	845,301
2010	166,640	845,302
2011	166,700	845,301
2012-2016	838,960	2,975,380
2017-2021	503,360	2,451,108
2022-2026	<u>0</u>	<u>1,882,157</u>
	2,184,785	11,961,369
Less Interest Expense	<u>(674,785)</u>	<u>(2,568,963)</u>
Total Principal	<u>\$ 1,510,000</u>	<u>\$ 9,392,406</u>

CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 11: CONDUIT DEBT

To provide for the acquisition, construction and equipping of a replacement acute care hospital in Bellevue, Ohio and other hospital facilities, the City has issued Hospital Revenue Bonds dated August 26, 2004. These bonds are special limited obligations of the City, payable solely from the Revenues (as defined in the Bond Indenture) and other amounts derived from its ownership, leasing, sale or subleasing of the Existing Facilities. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. As of December 31, 2006, Hospital Facilities Revenue Bonds outstanding aggregated \$10,495,000.

NOTE 12: DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-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.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006 member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2006 member contribution rates were 9.0 percent for members in state, local, and public safety classifications. Members in law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed 10.1 percent. The 2006 rate for state employers was 13.54 percent of covered payroll. For local government employer contribution rate was 13.70 percent of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2006 was 16.93 percent. The City's contributions for pension obligations to OPERS for the years ended December 31, 2006, 2005, and 2004 were \$343,865, \$341,527, and \$344,670; respectively; 93.27 percent representing the paid contribution for 2006 and 100 percent for 2005 and 2004. \$25,001 representing the unpaid contribution for 2006 is recorded as a liability in the individual funds that incurred the costs.

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

The City 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.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

B. Ohio Police and Fireman's Disability and Pension Fund (Continued)

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent, respectively, for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2006, 2005, and 2004 were \$243,875, \$239,636, and \$222,469, respectively, equal to the required contributions for the year. 93.07 percent has been contributed for 2006 and 100 percent for 2005 and 2004. \$18,475 representing the unpaid contribution for 2006 is recorded as a liability in the individual funds that incurred the costs.

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

A. Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described GASB Statement 45.

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2006, state employers contributed at a rate of 13.54 percent of covered payroll of active members. In 2006, state employers contributed at a rate of 13.43 percent of covered payroll, local government employer units contributed 13.70 percent of covered payroll, and public safety and law enforcement employer units contributed at 16.93 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units, and 18.1 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2006, the employer contribution allocated to the health care plan was 4.5 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to fund post employment benefits was \$112,960.

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

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

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

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

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

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

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2005 and in 2006. 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, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 13: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

(Continued)

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

The number of participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, is 13,992 for police and 10,537 for firefighters.

The amount that the City contributed as the employer's share to pay post employment benefits for 2006 was \$88,792.

The Fund's total health care expenses for the year ending December 31, 2005, the date of the last actuarial valuation was \$108,139,449, which was net of member contributions of \$55,271,881.

NOTE 14: CONTINGENT LIABILITIES

A. Federal and State Grants

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

B. Litigation

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

**CITY OF BELLEVUE, OHIO
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 15: **INSURANCE POOLS**

Ohio Rural Water Association Workers' Compensation Group Rating Plan

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

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

NOTE 16: **INTERFUND TRANSFERS**

During 2006, transfers were made from the General Fund to other governmental funds, in the amount of \$1,303,825 to subsidize various activities in other funds. Other governmental funds made transfers in the amount of \$1,502 to governmental and fiduciary funds (Cemetery, Cemetery Endowment, and Community Center Endowment), which reflect ten percent of the cemetery lots sold and contributions toward creating a community center.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

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

To the Members of City Council
City of Bellevue, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City of Bellevue, Ohio's basic financial statements and have issued our report thereon dated June 14, 2007, which was qualified due to our inability to obtain sufficient evidential matter supporting amounts reported for capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions in the governmental activities, business-type activities, Wastewater Pollution Fund and Water Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bellevue, Ohio's internal control over financial reporting. Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies on internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bellevue, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Bellevue, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Bellevue, Ohio's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. A reportable condition is described in the accompanying Schedule of Findings as Item 2006-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider Reportable Condition 2006-001 to be a material weakness. In a separate letter to the City's management dated June 14, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 14, 2007, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities and members of the City Council. It is not intended to be and should not be used by anyone other than these specified parties.



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

June 14, 2007

**CITY OF BELLEVUE, OHIO
HURON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

FINDING 2006-1 - Material Weakness - Capital Assets

Condition

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

Cause/Effect

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

Recommendation

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

Correction Action Plan

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

**CITY OF BELLEVUE, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Explanation</u>
2005-001	Material weakness regarding lack of capital asset support	No	Corrected; Significantly Different Corrective Action Taken; or Finding no longer valid: Not corrected - repeated as Finding 2006-001 in this report



Mary Taylor, CPA
Auditor of State

CITY OF BELLEVUE

HURON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 9, 2007**