

**CITY OF BELLEVUE
HURON COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Bellevue, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 26, 2012

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**CITY OF BELLEVUE
HURON COUNTY, OHIO
AUDIT REPORT AND BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To 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, Huron County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bellevue, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20, the City implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which impacted governmental fund balance classifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2012, on our consideration of the City of Bellevue, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


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

August 3, 2012

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The discussion and analysis of the City of Bellevue's (the City) financial performance provides an overall view of the City's financial activities for the year ended December 31, 2011. 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 2011 are as follows:

- ❑ The City's net assets increased \$1,123,085 as a result of this year's operations. The net assets of the City's governmental activities increased \$454,603, or 2.68 percent, and net assets for the City's business-type increased by \$668,482, or 3.76 percent.
- ❑ During the year, the City had expenses for governmental activities in the amount of \$5,861,318, which was covered by program and general revenues of \$6,315,921. Business-type activities applied program revenues of \$4,856,824 to \$4,188,342 of expenses in 2011, thus a gain of \$668,482 for both activities.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's programs and services are reported here including Legislative and Executive, Judicial, Security of Persons and Property, Public Health and Welfare, Transportation, Community Environment, 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 fund is the General Fund.

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The City as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2011 compared to 2010:

Table 1 - Net Assets

	Governmental Activities 2011	Business-Type Activities 2011	Total 2011	Total 2010
<u>Assets</u>				
Current and Other Assets	\$ 7,763,119	\$ 3,689,316	\$ 11,452,435	\$ 10,437,992
Capital Assets	12,351,127	22,295,015	34,646,142	35,251,781
Total Assets	20,114,246	25,984,331	46,098,577	45,689,773
<u>Liabilities</u>				
Other Liabilities	\$ 1,071,694	\$ 452,756	\$ 1,524,450	\$ 1,452,214
Long-Term Liabilities	1,644,894	7,073,762	8,718,656	9,505,173
Total Liabilities	2,716,588	7,526,518	10,243,106	10,957,387
<u>Net Assets</u>				
Invested in Capital Assets, Net of Debt	11,198,342	15,390,098	26,588,440	26,427,616
Restricted	3,168,722	0	3,168,722	3,462,734
Unrestricted	3,030,594	3,067,715	6,098,309	4,842,036
Total Net Assets	\$ 17,397,658	\$ 18,457,813	\$ 35,855,471	\$ 34,732,386

**CITY OF BELLEVUE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2 shows the changes in net assets for the year 2011 compared to 2010:

Table 2 - Changes in Net Assets

	Governmental Activities 2011	Business-Type Activities 2011	Total 2011	Total 2010
<u>Revenues</u>				
Program Revenues:				
Charges for Services	\$ 511,578	\$ 4,801,624	\$ 5,313,202	\$ 4,957,176
Operating Grants	407,184	0	407,184	620,434
Capital Grants	139,566	55,200	194,766	567,293
General Revenue:				
Municipal Income Taxes	3,418,696	0	3,418,696	3,359,772
Property and Other Taxes	723,630	0	723,630	878,559
Grants and Entitlements	918,928	0	918,928	709,948
Unrestricted Investment Earnings	34,841	0	34,841	32,142
Other	161,498	0	161,498	70,222
Total Revenues	6,315,921	4,856,824	11,172,745	11,195,546
<u>Program Expenses</u>				
General Government -Legislative and Executive	1,454,043	0	1,454,043	1,269,319
General Government -Judicial	305,952	0	305,952	271,020
Security of Persons and Property	2,320,299	0	2,320,299	2,193,226
Public Health and Welfare	207,217	0	207,217	109,298
Transportation	786,604	0	786,604	1,219,761
Community Environment	145,642	0	145,642	267,952
Leisure Time Activities	568,736	0	568,736	455,293
Interest and Fiscal Charges	72,825	0	72,825	82,015
Water	0	2,089,280	2,089,280	2,064,434
Wastewater Pollution	0	2,099,062	2,099,062	1,802,649
Total Expenses	5,861,318	4,188,342	10,049,660	9,734,967
Increase (Decrease) in Net Assets	\$ 454,603	\$ 668,482	\$ 1,123,085	\$ 1,460,579

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 Funds. The City has voted millage, which is outside the 10-mill limitation of 2.0 mills for ambulance and emergency medical services and 1.5 mills for recreation.

The unique nature of property taxes in Ohio sometimes creates the need to seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 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 and other taxes made up 65.59 percent of revenues for governmental activities in calendar year 2011.

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HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Government – Legislative, Executive, and Judicial comprise 30.03 percent and Security of Persons and Property comprise 39.59 percent of governmental program expenses. Interest expense was 1.24 percent. Interest expense was attributable to outstanding bonds and capital leases.

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 2011	Net Cost of Services 2011	Total Cost of Services 2010
General Government - Legislative and Executive	\$ 1,454,043	\$ 1,333,697	\$ 1,269,319
General Government - Judicial	305,952	145,638	271,020
Security of Persons and Property	2,320,299	2,221,206	2,193,226
Public Health and Welfare	207,217	189,827	109,298
Transportation	786,604	342,023	1,219,761
Community Environment	145,642	145,642	267,952
Leisure Time Activities	568,736	352,132	455,293
Interest and Fiscal Charges	72,825	72,825	82,015
Total Expenses	<u>\$ 5,861,318</u>	<u>\$ 4,802,990</u>	<u>\$ 5,867,884</u>

The dependence upon tax revenues for governmental activities is apparent. Over 81.94 percent of program expenses and services are supported through taxes and other general revenues. The community, as a whole, is by far the primary support for the City.

Business-Type Activities

Business-type activities include the Water and Wastewater Pollution funds. These programs had revenues of \$4,856,824 and expenses of \$4,188,342 for the year 2011 for an increase in net assets of \$668,482. Business-type activities receive no support from tax revenues.

The City's Funds

Information about the City's only major fund, the General Fund, starts on page 12. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues (including other financing sources) of \$7,074,340, and expenditures (including other financing uses) of \$6,014,290. The General Fund, which is always a major fund, had a net increase in fund balance of \$810,180. This increase indicates the City's economic condition is improving.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

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 2011, the City amended its General Fund budget only a few times, none significant. The City uses department-based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$4,291,237, plus a beginning unobligated cash balance of \$1,141,019, for an amount of \$5,432,256. This estimate was applied to the final budget amount of expenditures and encumbrances of \$3,829,490, for a budget unobligated balance of \$1,602,766. The City's General Fund actual ending unobligated cash balance was \$1,953,273 for a favorable variance of \$350,507.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011 the City had \$34,646,142 invested in land, construction-in-progress, buildings and improvements, equipment, vehicles and infrastructure. \$12,351,127 is reported in the governmental activities. Table 4 shows the 2011 balances compared to 2010.

Table 4 - Capital Assets, Net of Accumulated Depreciation - December 31, 2011

	Governmental 2011	Business-Type 2011	Total 2011	Total 2010
Land and Land Improvements	\$ 1,077,482	\$ 2,201,301	\$ 3,278,783	\$ 3,278,783
Buildings and Improvements	6,076,258	10,224,291	16,300,549	16,273,699
Furniture, Machinery, and Equipment	2,997,667	4,291,428	7,289,095	7,241,135
Vehicles	3,116,176	228,764	3,344,940	3,244,473
Infrastructure	13,035,335	19,430,181	32,465,516	32,104,865
Construction in Progress	0	20,766	20,766	0
Total Capital Assets	26,302,918	36,396,731	62,699,649	62,142,955
Accumulated Depreciation	(13,951,791)	(14,101,716)	(28,053,507)	(26,891,174)
Totals	\$ 12,351,127	\$ 22,295,015	\$ 34,646,142	\$ 35,251,781

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Debt

At December 31, 2011 the City had \$8,057,703 in bonds and loans outstanding with \$796,295 due within one year. Table 5 summarizes bond and loans outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities 2011	Business-Type Activities 2011	Total 2011	Total 2010
Municipal Building	\$ 1,050,000	\$ 0	\$ 1,050,000	\$ 1,150,000
Capital Lease	102,786	0	102,786	127,948
O.W.D.A. Loans	0	6,904,917	6,904,917	7,546,217
Total	\$ 1,152,786	\$ 6,904,917	\$ 8,057,703	\$ 8,824,165

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 capital lease consists of a lease for a street sweeter. 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 Pollution Fund. See Notes 10, 11, and 12 to the basic financial statements for additional detail on the City's debt activity.

For the Future

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

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

Contacting the City's Financial Management

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Assets</u>			
Equity in Pooled Cash and Investments	\$ 5,198,689	\$ 2,617,737	\$ 7,816,426
Cash and Cash Equivalents:			
In Segregated Accounts	495	15,300	15,795
Receivables:			
Taxes	1,817,721	0	1,817,721
Accounts	36,792	786,130	822,922
Notes	172,679	0	172,679
Due from Other Governments	442,745	0	442,745
Material and Supplies Inventory	61,314	270,149	331,463
Deposits	32,684	0	32,684
Capital Assets, Nondepreciable	856,392	2,222,067	3,078,459
Capital Assets, Depreciable	11,494,735	20,072,941	31,567,676
Total Assets	20,114,246	25,984,324	46,098,570
<u>Liabilities</u>			
Accounts Payable	149,529	233,975	383,504
Claims Payable	52,718	25,225	77,943
Accrued Wages	82,562	40,751	123,313
Due to Other Governments	114,534	43,385	157,919
Deferred Revenue	667,346	0	667,346
Undistributed Monies	0	15,300	15,300
Accrued Interest Payable	5,005	94,120	99,125
Long-Term Liabilities:			
Due Within One Year	269,426	701,687	971,113
Due in More Than One Year	1,375,468	6,372,075	7,747,543
Total Liabilities	2,716,588	7,526,518	10,243,106
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	11,198,342	15,390,098	26,588,440
Restricted for:			
Capital	1,080,952	0	1,080,952
Debt	23,376	0	23,376
Special Purposes	2,064,394	0	2,064,394
Unrestricted	3,030,594	3,067,715	6,098,309
Total Net Assets	\$ 17,397,658	\$ 18,457,813	\$ 35,855,471

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Primary Government</i>							
Governmental Activities							
General Government:							
Legislative and Executive	\$ 1,454,043	\$ 120,346	\$ 0	\$ 0	\$ (1,333,697)	\$ 0	\$ (1,333,697)
Judicial	305,952	160,314	0	0	(145,638)	0	(145,638)
Security of Persons and Property	2,320,299	0	93	99,000	(2,221,206)	0	(2,221,206)
Public Health and Welfare	207,217	17,390	0	0	(189,827)	0	(189,827)
Transportation	786,604	0	404,015	40,566	(342,023)	0	(342,023)
Community Environment	145,642	0	0	0	(145,642)	0	(145,642)
Leisure Time Activities	568,736	213,528	3,076	0	(352,132)	0	(352,132)
Interest and Fiscal Charges	72,825	0	0	0	(72,825)	0	(72,825)
Total Governmental Activities	5,861,318	511,578	407,184	139,566	(4,802,990)	0	(4,802,990)
Business-Type Activities							
Water	2,089,280	2,345,175	0	55,200	0	311,095	311,095
Wastewater Pollution	2,099,062	2,456,449	0	0	0	357,387	357,387
Total Business-Type Activities	4,188,342	4,801,624	0	55,200	0	668,482	668,482
Total Primary Government	\$ 10,049,660	\$ 5,313,202	\$ 407,184	\$ 194,766	(4,802,990)	668,482	(4,134,508)
General Revenues							
Taxes:							
Municipal Income Tax					3,418,696	0	3,418,696
Property and Other Taxes, Levied for General Purposes					723,630	0	723,630
Grants and Entitlements Not Restricted to Specific Programs					918,928	0	918,928
Unrestricted Investment Earnings					34,841	0	34,841
Miscellaneous					161,498	0	161,498
Total General Revenues					5,257,593	0	5,257,593
Change in Net Assets					454,603	668,482	1,123,085
Net Assets at Beginning of Year					16,943,055	17,789,331	34,732,386
Net Assets at End of Year					\$ 17,397,658	\$ 18,457,813	\$ 35,855,471

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Equity in Pooled Cash and Investments	\$ 2,000,663	\$ 3,198,026	\$ 5,198,689
Cash and Cash Equivalents in Segregated Accounts	495	0	495
Receivables:			
Taxes	1,355,052	462,669	1,817,721
Accounts	28,724	8,068	36,792
Notes	0	172,679	172,679
Due from Other Governments	190,277	252,468	442,745
Material and Supplies Inventory	7,943	53,371	61,314
Deposits	0	32,684	32,684
Total Assets	\$ 3,583,154	\$ 4,179,965	\$ 7,763,119
<u>Liabilities</u>			
Accounts Payable	\$ 115,105	\$ 34,424	\$ 149,529
Accrued Wages	66,834	15,728	82,562
Due to Other Governments	97,018	17,516	114,534
Deferred Revenue	1,266,723	671,027	1,937,750
Total Liabilities	1,545,680	738,695	2,284,375
<u>Fund Balances</u>			
Nonspendable	7,943	53,371	61,314
Restricted	0	3,386,626	3,386,626
Committed	0	1,273	1,273
Assigned	259,111	0	259,111
Unassigned	1,770,420	0	1,770,420
Total Fund Balances	2,037,474	3,441,270	5,478,744
Total Liabilities and Fund Balances	\$ 3,583,154	\$ 4,179,965	\$ 7,763,119

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

Total Governmental Fund Balances \$ 5,478,744

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. 12,351,127

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Municipal Income Taxes	\$	819,535	
Grants		385,669	
Property and Other Local Taxes		65,200	
			1,270,404

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Claims Payable	\$	(52,718)	
Accrued Interest Payable		(5,005)	
Compensated Absences Payable		(492,109)	
Capital Leases Payable		(102,785)	
General Obligation Bonds Payable		(1,050,000)	
			(1,702,617)

Net Assets of Governmental Activities \$ 17,397,658

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Municipal Income Tax	\$ 3,466,345	\$ 0	\$ 3,466,345
Property and Other Taxes	231,005	497,729	728,734
Intergovernmental	870,973	583,671	1,454,644
Investment Income	23,233	11,608	34,841
Licenses and Permits	98,111	0	98,111
Fines and Forfeitures	138,237	22,077	160,314
Charges for Services	22,235	230,918	253,153
Miscellaneous	131,916	29,582	161,498
Total Revenues	4,982,055	1,375,585	6,357,640
<u>Expenditures</u>			
Current:			
General Government:			
Legislative and Executive	1,315,425	694	1,316,119
Judicial	279,290	14,417	293,707
Security of Persons and Property	1,824,898	454,034	2,278,932
Public Health and Welfare	0	112,892	112,892
Transportation	0	477,505	477,505
Community Environment	35,562	106,212	141,774
Leisure Time Activities	0	478,196	478,196
Debt Service:			
Principal Retirement	0	125,163	125,163
Interest and Fiscal Charges	0	73,302	73,302
Total Expenditures	3,455,175	1,842,415	5,297,590
Excess of Revenues Over (Under) Expenditures	1,526,880	(466,830)	1,060,050
<u>Other Financing Sources (Uses)</u>			
Transfers In	0	716,700	716,700
Transfers Out	(716,700)	0	(716,700)
Total Other Sources (Uses)	(716,700)	716,700	0
Net Change in Fund Balance	810,180	249,870	1,060,050
Fund Balances at Beginning of Year	1,227,294	3,187,284	4,414,578
Increase (Decrease) in Inventory	0	4,116	4,116
Fund Balances at End of Year	\$ 2,037,474	\$ 3,441,270	\$ 5,478,744

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 1,060,050

Amounts reported in Governmental Activities in the Statement of Activities are different because:

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

Capital Outlay	\$ 109,651	
Depreciation	<u>(773,433)</u>	(663,782)

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

Municipal Income Taxes	\$ (47,649)	
Grants	11,034	
Delinquent Property Taxes	<u>(5,104)</u>	(41,719)

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

Bond Debt	100,000	
Capital Leases	<u>25,163</u>	125,163

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 477

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

Claims	\$ (34,618)	
Change in Inventory	4,116	
Compensated Absences	<u>4,916</u>	<u>(25,586)</u>

Change in Net Assets of Governmental Activities \$ 454,603

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<u>Revenues</u>				
Municipal Income Tax	\$ 3,000,000	\$ 3,000,000	\$ 3,489,732	\$ 489,732
Intergovernmental	431,800	733,300	876,724	143,424
Investment Income	17,725	17,725	23,231	5,506
Licenses and Permits	54,160	54,160	98,111	43,951
Fines and Forfeitures	99,600	99,600	131,174	31,574
Charges for Services	950	950	7,316	6,366
Property and Other Taxes	232,877	232,877	230,995	(1,882)
Miscellaneous	152,625	152,625	131,916	(20,709)
Total Revenues	3,989,737	4,291,237	4,989,199	697,962
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	1,368,055	1,401,095	1,313,462	87,633
Judicial	305,600	306,282	279,389	26,893
Security of Persons and Property	1,925,025	1,940,025	1,831,832	108,193
Community Environment	38,300	38,300	35,562	2,738
Total Expenditures	3,636,980	3,685,702	3,460,245	225,457
Excess of Revenues Over (Under) Expenditures	352,757	605,535	1,528,954	923,419
<u>Other Financing Sources (Uses)</u>				
Transfers - Out	(600,005)	(143,788)	(716,700)	(572,912)
Total Other Sources (Uses)	(600,005)	(143,788)	(716,700)	(572,912)
Net Change in Fund Balance	(247,248)	461,747	812,254	350,507
Fund Balances at Beginning of Year	1,059,290	1,059,290	1,059,290	0
Prior Year Encumbrances Appropriated	81,729	81,729	81,729	0
Fund Balances at End of Year	\$ 893,771	\$ 1,602,766	\$ 1,953,273	\$ 350,507

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
<u>Assets</u>			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 892,459	\$ 1,725,278	\$ 2,617,737
Cash and Cash Equivalents in Segregated Accounts	15,300	0	15,300
Accounts Receivable	376,855	409,275	786,130
Inventory of Supplies	244,788	25,361	270,149
Total Current Assets	1,529,402	2,159,914	3,689,316
Noncurrent Assets:			
Nondepreciable Capital Assets	1,705,116	516,951	2,222,067
Depreciable Capital Assets	8,310,312	11,762,636	20,072,948
Total Noncurrent Assets	10,015,428	12,279,587	22,295,015
Total Assets	\$ 11,544,830	\$ 14,439,501	\$ 25,984,331
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 31,152	\$ 202,823	\$ 233,975
Claims Payable	15,119	10,106	25,225
Accrued Wages	25,635	15,116	40,751
Due to Other Governments	26,112	17,273	43,385
Undistributed Monies	15,300	0	15,300
Accrued Interest Payable	0	94,120	94,120
Compensated Absences Payable	23,579	13,274	36,853
OWDA Loan Payable	0	664,834	664,834
Total Current Liabilities	136,897	1,017,546	1,154,443
Long-Term Liabilities:			
Compensated Absences Payable	67,953	64,039	131,992
OWDA Loan Payable	0	6,240,083	6,240,083
Total Long-Term Liabilities	67,953	6,304,122	6,372,075
Total Liabilities	204,850	7,321,668	7,526,518
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	10,015,428	5,374,670	15,390,098
Unrestricted	1,324,552	1,743,163	3,067,715
Total Net Assets	\$ 11,339,980	\$ 7,117,833	\$ 18,457,813

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution	
		Fund	Fund
<u>Operating Revenues</u>			
Charges for Services	\$ 2,329,825	\$ 2,441,582	\$ 4,771,407
Other Operating Revenues	10,318	14,335	24,653
Total Operating Revenues	<u>2,340,143</u>	<u>2,455,917</u>	<u>4,796,060</u>
<u>Operating Expenses</u>			
Personal Services	1,004,351	906,776	1,911,127
Contractual Services	897,273	455,106	1,352,379
Materials and Supplies	48,274	251,735	300,009
Other Operating Expense	97	0	97
Depreciation	139,285	281,051	420,336
Total Operating Expenses	<u>2,089,280</u>	<u>1,894,668</u>	<u>3,983,948</u>
Operating Income (Loss)	<u>250,863</u>	<u>561,249</u>	<u>812,112</u>
<u>Non-Operating Revenues (Expenses)</u>			
Tap-In Fees	5,032	532	5,564
Loss on Disposal of Assets	0	(10,272)	(10,272)
Interest and Fiscal Charges	0	(194,122)	(194,122)
Total Non-Operating Revenues (Expenses) before Contributions	<u>5,032</u>	<u>(203,862)</u>	<u>(198,830)</u>
Capital Contributions	55,200	0	55,200
Change in Net Assets	311,095	357,387	668,482
Total Net Assets at Beginning of Year	<u>11,028,885</u>	<u>6,760,446</u>	<u>17,789,331</u>
Total Net Assets at End of Year	<u>\$ 11,339,980</u>	<u>\$ 7,117,833</u>	<u>\$ 18,457,813</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-Type Activities - Enterprise Fund		
	Water Fund	Wastewater Pollution Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received for Services	\$ 2,304,911	\$ 2,401,812	\$ 4,706,723
Cash Received from Other Operating Sources	10,318	14,335	24,653
Cash Payments to Suppliers for Goods and Services	(1,078,116)	(522,861)	(1,600,977)
Cash Payments to Employees for Services	(1,012,401)	(900,025)	(1,912,426)
Net Cash Provided by Operating Activities	<u>224,712</u>	<u>993,261</u>	<u>1,217,973</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Tap-In Fees	5,032	532	5,564
Net Cash Provided by Noncapital Financing Activities	<u>5,032</u>	<u>532</u>	<u>5,564</u>
<u>Cash Flows from Capital & Related Financing Activities</u>			
Payment of OWDA Loans	0	(641,300)	(641,300)
Payments for Capital Acquisitions	(250,036)	(183,515)	(433,551)
Interest Paid	0	(205,773)	(205,773)
Net Cash (Used in) Capital and Related Financing Activities	<u>(250,036)</u>	<u>(1,030,588)</u>	<u>(1,280,624)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,292)	(36,795)	(57,087)
Cash and Cash Equivalents at Beginning of Year	928,051	1,762,073	2,690,124
Cash and Cash Equivalents at End of Year	<u>\$ 907,759</u>	<u>\$ 1,725,278</u>	<u>\$ 2,633,037</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 250,863	\$ 561,249	\$ 812,112
Adjustments:			
Net Cash from Operating Activities:			
Depreciation Expense	139,285	281,501	420,786
(Increase) Decrease in Assets:			
Accounts Receivable	(39,571)	(39,770)	(79,341)
Materials and Supplies Inventory	(107,146)	9,241	(97,905)
Increase (Decrease) in Liabilities:			
Accounts Payable	(25,896)	174,739	148,843
Claims Payable	9,626	6,198	15,824
Accrued Wages and Benefits	(3,929)	(5,553)	(9,482)
Compensated Absences Payable	(15,758)	620	(15,138)
Due to Other Governments	2,581	5,486	8,067
Undistributed Monies	14,657	0	14,657
Total Adjustments	<u>(26,151)</u>	<u>432,462</u>	<u>406,311</u>
Net Cash Provided by Operating Activities	<u>\$ 224,712</u>	<u>\$ 993,711</u>	<u>\$ 1,218,423</u>

Schedule of NonCash Investing, Capital, and Financing Activities

The Water Fund received capital contributions of \$55,200 during the year.

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	Private Purpose Trust	Agency
<u>Assets</u>		
Equity in Pooled Cash and Investments	\$ 112,445	\$ 8,807
Cash and Cash Equivalents In Segregated Accounts	0	5,088
Accounts Receivable	0	864
Total Assets	112,445	14,759
 <u>Liabilities</u>		
Undistributed Monies	0	13,594
Accounts Payable	0	1,165
Total Liabilities	0	\$ 14,759
 <u>Net Assets</u>		
Held in Trust for Perpetual Care and Other Purposes	112,445	
Total Net Assets	\$ 112,445	

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Private Purpose Trust
<u>Additions</u>	
Interest Income	\$ 909
Total Additions	909
Change in Net Assets	909
Net Assets Beginning of Year	111,536
Net Assets End of Year	\$ 112,445

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1: DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds

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

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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the year for which the income is earned. 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, state levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees, rentals, and miscellaneous account revenue.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance 2012 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.

Expenses/Expenditures

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

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

E. Budget

An annual appropriated budget is legally required to be prepared for all funds of the City other than Agency funds. Council passes appropriations at the fund, department, and object level. Line item appropriations may be transferred between the accounts with the approval of the City Auditor and either the Mayor or Safety 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 2011. All City funds are legally required to be budgeted, The purpose of the tax budget is to reflect the need for existing or increased tax rate.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (Continued)

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. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

Annual Budget

The Mayor, with the assistance of the City Auditor, submits to Council an annual budget in December. The annual budget contains an estimate of the revenues and expenditures of each fund and department of the City for the next fiscal year. As part of the process, Council holds public meetings throughout its review. The annual budget serves as the basis for appropriations (the appropriated budget) in each fund.

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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (Continued)

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.

F. Equity and Pooled 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 investments" on the combined balance sheet.

During 2011, investments were limited to STAR Ohio, the State Treasurer's investment pool. Investments are reported at fair value, which is based on quoted market prices.

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 2011 amounted to \$23,233, which included \$14,306 assigned from other funds of the City.

The City invested funds in the State Treasurer's Asset Reserve of Ohio (STAR Ohio) during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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. 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 five thousand dollars. The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Improvements are capitalized; and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction-in-progress. 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:

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Balances

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations (Continued)

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance (Continued)

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purpose with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

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

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Estimates

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

NOTE 3: BUDGET BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balances (GAAP).

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

Net Change in Fund Balance - General Fund	
Budget Basis	\$ 812,254
Adjustments:	
Revenue Accruals:	
Accrued 2010, Received in Cash 2011	(276,595)
Accrued 2011, Not yet Received in Cash	269,449
Expenditure Accruals:	
Accrued 2011, Not yet Paid in Cash	198,758
Accrued 2010, Paid in Cash 2011	(241,076)
Encumbrances	47,390
GAAP Basis	\$ 810,180

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

1. United State Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
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.

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

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

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

Cash On Hand

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the City's deposits was \$2,136,452 and the bank balance was \$2,445,380, \$265,300 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$2,180,080 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

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 (In Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>
STAROhio	< 3 months	AAA	\$ 5,821,614
Total Investments			<u>\$ 5,821,614</u>

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

	Reconciliation to Balance Sheet
City's Deposits	\$ 2,136,452
Petty Cash and Drawer Change	495
Investments	5,821,614
Total	\$ 7,958,561
Per Balance Sheets	
Government Wide Statement of Net Assets:	
Equity in Pooled Cash, Investments, and Cash and Cash Equivalents in Segregated Accounts	\$ 7,816,426 15,795
Statement of Fiduciary Net Asset:	
Equity in Pooled Cash, Investments, and Cash and Cash Equivalents in Segregated Accounts	121,252 5,088
Total	\$ 7,958,561

NOTE 5: RECEIVABLES

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accounts, 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 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 5: RECEIVABLES (Continued)

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

The following are the tax valuations for the City in Sandusky and Huron counties:

	Sandusky County	Huron County
Real Property - 2010 Valuation:		
Residential/Agricultural	\$ 58,812,450	\$ 39,468,480
Public Utilities	15,210	577,830
Commercial/Industrial	16,222,050	14,819,320
Total Real Property	75,049,710	54,865,630
Tangible Personal Property - 2011 Valuation:		
Public Utilities	1,298,500	1,771,790
Total Personal Property	1,298,500	1,771,790
Total Assessed Valuation	\$ 76,348,210	\$ 56,637,420

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.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellevue. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, 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 2011 operations. The receivable is therefore offset by deferred revenue.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 5: RECEIVABLES (Continued)

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	\$ 173,653
Rollback and Homestead	40,665
Gasoline and Excise Tax	166,023
Motor Vehicle License Fees	39,723
Permissive Motor Vehicle License Tax	22,681
Total	\$ 442,745

NOTE 6: REVOLVING LOAN PROGRAM

In September 2009, the City began administering the revolving loan programs which had been performed by the Bellevue Development Corporation (BDC), a nonprofit organization. The revolving loan program offers incentives in the form of low-interest revolving loans, deferred loan payments, and interest and tax abatements which are offered to attract prospective firms. The City loans money for the purchase or improvement of industrial sites. The following notes receivable are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2011 were as follows:

	Rate	Beginning Balance	Issuance	Paid	Ending Balance
Team Ray Motorsports, Inc.	5%	\$ 40,698	\$ 0	\$ 6,157	\$ 34,541
Shear Illusions	5%	13,337	0	1,918	11,419
Selbro, Inc.	3%	145,714	0	18,995	126,719
Woodshed Steakhouse	3.5%	153,897	0	153,897	0
		<u>\$ 353,646</u>	<u>\$ 0</u>	<u>\$ 180,967</u>	<u>\$ 172,679</u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 7: RISK MANAGEMENT

Starting in 2009, the City provides employee medical/vision/prescription drug benefits through a self-insured plan. The plan provides medical/vision/prescription drug benefits. A third party administrator, Klais & Company, Inc., Akron, Ohio, reviews, processes, and pays all claims. The City purchased stop-loss coverage of \$500,000 per individual from Sun Life through OME-RESA Health Benefits. There is an internal pool from \$35,000 to \$499,999 for stop loss coverage. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

The liability for unpaid claims of \$77,943 reported at December 31, 2011, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

	Beginning of Year	Claims	Claim Payments	End of Year
2010	\$ 58,398	\$ 218,645	\$ (249,542)	\$ 27,501
2011	\$ 27,501	\$ 122,043	\$ (71,601)	\$ 77,943

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 2011, the City contracted through HCC Insurance Company for property, fleet, crime and liability insurance. Coverage provided is as follows:

Building and Contents-		
Replacement Cost	\$2,500 Deductible, 90% Co-Insured	\$ 36,772,461
General Liability	Per Occurrence Limit	\$ 1,000,000
General Liability	Aggregate	\$ 2,000,000
Public Officials Liability	Aggregate/Each claim	\$ 1,000,000
Law Enforcement	\$5,000 Deductible	\$ 1,000,000
Firefighter	\$5,000 Deductible	\$ 5,000,000
Automobile		
Comprehensive	\$500 Deductible	\$ 1,000,000
Collision	\$500 Deductible	\$ 1,000,000
Inland Marine	\$500 Deductible	\$ 916,000
Boiler and Machinery	\$250 Deductible	Various
Electronic Data Processing	\$500 Deductible, Replacement Cost	\$ 427,311
Blanket Bond	\$50,000 per Occurrence	
Umbrella	Per Occurrence/Aggregate	\$ 4,000,000
Public Employee Dishonesty	\$250 Deductible/Per Loss	\$ 50,000
Theft Disappearance, Forgery	\$250 Deductible, Outside and Inside	\$ 5,000

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011:

	Balance 12/31/10	Additions	Retirements	Balance 12/31/11
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 856,392	\$ 0	\$ 0	\$ 856,392
Total Capital Assets Not Being Depreciated	856,392	0	0	856,392
<i>Capital Assets Being Depreciated</i>				
Land Improvements	221,090	0	0	221,090
Buildings	6,076,258	0	0	6,076,258
Furniture and Equipment	2,988,483	9,184	0	2,997,667
Vehicles	3,015,709	100,467	0	3,116,176
Infrastructure				
Street Base	3,575,809	0	0	3,575,809
Street Surface	5,551,197	0	0	5,551,197
Street Storm Sewers	1,241,139	0	0	1,241,139
Street Lighting	2,667,190	0	0	2,667,190
Total Capital Assets Being Depreciated	25,336,875	109,651	0	25,446,526
Total Governmental Capital Assets	26,193,267	109,651	0	26,302,918
Less Accumulated Depreciation:				
Land Improvements	(108,306)	(5,972)	0	(114,278)
Buildings	(3,169,575)	(143,516)	0	(3,313,091)
Furniture and Equipment	(2,229,162)	(99,960)	0	(2,329,122)
Vehicles	(2,646,832)	(73,275)	0	(2,720,107)
Infrastructure				
Street Base	(1,398,929)	(44,697)	0	(1,443,626)
Street Surface	(2,478,449)	(257,140)	0	(2,735,589)
Street Storm Sewers	(428,557)	(15,514)	0	(444,071)
Street Lighting	(718,548)	(133,359)	0	(851,907)
Totals Accumulated Depreciation	(13,178,358)	(773,433)	0	(13,951,791)
Total Governmental Activities-Capital Assets, Net	\$ 13,014,909	\$ (663,782)	\$ 0	\$ 12,351,127

Depreciation expense was charged to governmental functions as follows:

General Government-Legislative	\$ 139,408
Community Environment	7,732
Security of Person and Places	108,248
Public Health	92,784
General Government-Judicial	7,732
Leisure Time Activities	92,784
Transportation	324,745
Total Depreciation Expense	\$ 773,433

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 8: CAPITAL ASSETS (Continued)

	Balance 12/31/10	Additions	Retirements	Balance 12/31/11
Business-Type Activities - Water Fund:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,704,263	\$ 0	\$ 0	\$ 1,704,263
Construction-in-Progress	0	853	0	853
Total Capital Assets Not Being Depreciated	1,704,263	853	0	1,705,116
<i>Capital Assets Being Depreciated</i>				
Buildings	3,051,882	0	0	3,051,882
Equipment and Machinery	1,726,771	31,433	0	1,758,204
Vehicles	135,132	0	0	135,132
Infrastructure	10,345,247	272,950	17,479	10,600,718
Total Capital Assets Being Depreciated	15,259,032	304,383	17,479	15,545,936
Total Business-Type Activities Capital Assets	16,963,295	305,236	17,479	17,251,052
Less Accumulated Depreciation				
Buildings	(2,849,657)	(7,077)	0	(2,856,734)
Equipment and Machinery	(1,726,771)	0	0	(1,726,771)
Vehicles	(135,132)	0	0	(135,132)
Infrastructure	(2,402,258)	(132,208)	(17,479)	(2,516,987)
Total Accumulated Depreciation	(7,113,818)	(139,285)	(17,479)	(7,235,624)
Total Business-Type Activities - Capital Assets - Water Fund, Net	\$ 9,849,477	\$ 165,951	\$ 0	\$10,015,428
Business-Type Activities-Wastewater Pollution Fund:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 497,038	\$ 0	\$ 0	\$ 497,038
Construction-in-Progress	0	19,913	0	19,913
Total Capital Assets Not Being Depreciated	497,038	19,913	0	516,951
<i>Capital Assets Being Depreciated</i>				
Buildings	7,145,559	26,850	0	7,172,409
Equipment and Machinery	2,525,881	7,343	0	2,533,224
Vehicles	93,632	0	0	93,632
Infrastructure	8,724,283	129,409	24,229	8,829,463
Total Capital Assets Being Depreciated	18,489,355	163,602	24,229	18,628,728
Total Business-Type Capital Assets	18,986,393	183,515	24,229	19,145,679
Less Accumulated Depreciation				
Buildings	(1,389,684)	(170,379)	0	(1,560,063)
Equipment and Machinery	(2,525,881)	0	0	(2,525,881)
Vehicles	(93,632)	0	0	(93,632)
Infrastructure	(2,589,801)	(110,672)	(13,957)	(2,686,516)
Total Accumulated Depreciation	(6,598,998)	(281,051)	(13,957)	(6,866,092)
Total Business-Type Activities - Capital Assets - Wastewater Pollution Fund, Net	\$12,387,395	\$ (97,536)	\$ 10,272	\$12,279,587

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 9: COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment become probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at 90 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 90 per cent of the value. At December 31, 2011, 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 \$516,452.

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 \$144,502 been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts. Vacation leave may be accumulated up to a maximum of three times the employee's annual vacation allowance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 10: LONG TERM LIABILITIES

	Principal Outstanding 12/31/10	Additions	Retirements	Principal Balance 12/31/11	Amounts Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds:					
Municipal Building Bonds					
Issued 1999, 5.8%	\$ 1,150,000	\$ 0	\$ 100,000	\$ 1,050,000	\$ 105,000
Capital Lease Payable,					
Issued 2009, 5.042%	127,948	0	25,163	102,785	26,461
Compensated Absences Payable	497,025	118,252	123,168	492,109	137,965
Total Governmental Type Activities, Debt	\$ 1,774,973	\$ 118,252	\$ 248,331	\$ 1,644,894	\$ 269,426
<u>Business-Type Activities</u>					
O.W.D.A. Loans:					
Issued 07/6/93, 4.8%	\$ 995,022	\$ 0	\$ 316,072	\$ 678,950	\$ 331,425
Issued 5/27/04 2.5%	6,551,195	0	325,228	6,225,967	333,409
Compensated Absences Payable	183,983	20,806	35,944	168,845	36,853
Total Business-Type Debt	\$ 7,730,200	\$ 20,806	\$ 677,244	\$ 7,073,762	\$ 701,687

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 10: LONG TERM LIABILITIES (Continued)

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 Pollution fund.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2011, including total interest payments of \$1,655,887 are as follows:

Year Ending December 31:	General Obligation Bonds	O.W.D.A. Loan
2012	\$ 165,900	\$ 847,073
2013	169,810	847,073
2014	168,140	486,988
2015	166,180	486,987
2016	168,930	486,987
2017-2021	503,360	2,434,939
2022-2026	0	2,434,939
2027	0	243,498
Total Principal and Interest	1,342,320	8,268,484
Less: Interest Expense	(292,320)	(1,363,567)
Total Principal	<u>\$ 1,050,000</u>	<u>\$ 6,904,917</u>

NOTE 11: CAPITAL LEASE

The City entered into a lease agreement as lessee for financing the acquisition of an Elgin Model Whirlwind Street Sweeper. The lease agreement qualified as a capital lease for accounting purposes (title transferable at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The costs of these capital leases are included in the governmental activities. The original cost of the asset acquired under capital lease and included in the governmental activities was \$183,641 and the book value at December, 31, 2011 was \$146,913. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2011:

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 11: CAPITAL LEASE (Continued)

Year Ending December 31	Governmental Activities
2012	\$ 31,765
2013	31,765
2014	51,000
Total Minimum Lease Payments	114,530
Less Amount Representing Interest	(11,745)
Present Value of Future Minimum Lease Payments	\$ 102,785

NOTE 12: CONDUIT DEBT

To provide for the acquisition, construction, and equipping of a replacement acute care hospital in the City and other hospital facilities, the City issued Hospital Revenue Bonds dated August 26, 2004. These bonds are special limited obligations of the City, payable solely from the revenues, as defined in the Bond Indenture, and other amounts derived from its ownership, leasing, sale, or subleasing of the Existing Facilities. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. As of December 31, 2011, Hospital Facilities Revenue Bonds outstanding aggregated \$8,995,000.

NOTE 13: 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.

Ohio Public Employees Retirement System (OPERS)

All City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) - 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.
3. The Combined Plan - a cost-sharing, multiple employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension 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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 13: DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

The authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand alone financial report. Interested parties may obtain a copy by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, by calling (614) 222 5601 or 1 800 222 7377, or by visiting OPERS' website at <https://www.opers.org/investments/cafr.html>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Tradition Pension Plan.

The 2011 member contribution rates were 10.0 percent of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.0 percent and 11.6 percent respectively.

The 2011 employer contribution rate for state and local employers was 14.00 percent of covered payroll. The law enforcement and public safety division employer contribution rate for 2011 was 18.10 percent of covered payroll.

The City's contributions to OPERS for all employees for the years ended December 31, 2011, 2010, and 2009, were \$332,959, \$305,031, and \$294,407, respectively. 88 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

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 pension 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
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 13: DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Firemen'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 police and firefighters were \$111,015 and \$66,196 for the year ending December 31, 2011, \$132,106 and \$71,147 for the year ending December 31, 2010, and \$131,578 and \$93,998 for the year ending December 31, 2009, respectively. 91 percent and 88 percent, respectively, has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009.

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both 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 ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, by calling 614-222-5601 or 800-222-7377 or by visiting OPERS' website at <https://www.opers.org/investments/cafr.html>.

Funding Policy. 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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00 percent of covered payroll and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during the calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's required contributions to OPERS that were used to fund post-employment benefits for the years ending December 31, 2011, 2010, and 2009 were \$90,249, \$113,156, and \$110,228, respectively. 88 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Firemen's Disability and Pension Fund

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

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 service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 45.

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

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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

The City's contributions to OP&F were \$38,411 for police and \$18,601 for fire for the year ending December 31, 2011 were \$86,778 for police and \$51,094 for fire for the year ending December 31, 2010; and \$131,538 for police and \$93,948 for fire for the year ending December 31, 2009, respectively, which were allocated to the health care plan. 91 percent and 88 percent, respectively, has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009.

NOTE 15: COMMITMENTS

The City's encumbrance policy is for fiscal year end individual encumbrances exceeding \$100 to be considered significant encumbrances. All encumbrances are classified as either Assigned Fund Balance or Restricted Fund Balance in the General Fund, or as Restricted Fund Balance in the non-general funds.

Significant encumbrances as of December 31st were:

<u>Fund</u>	<u>Assigned</u>	<u>Restricted</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 11,863	\$ 0	\$ 11,863
Non-major Governmental Funds	0	9,308	9,308
	<u>\$ 11,863</u>	<u>\$ 9,308</u>	<u>\$ 21,171</u>

NOTE 16: CONTINGENT LIABILITIES

A. Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any 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
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 17: INSURANCE POOLS

Ohio Rural Water Association Workers' Compensation Group Rating Plan

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

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

NOTE 18: FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<u>Nonspendable</u>			
Inventory	\$ 7,943	\$ 53,371	\$ 61,314
Total Nonspendable	<u>7,943</u>	<u>53,371</u>	<u>61,314</u>
<u>Restricted</u>			
Street Maintenance	0	283,241	283,241
Cemetery Maintenance	0	9,472	9,472
Parks and Recreation	0	220,019	220,019
Emergency Medical	0	469,243	469,243
Community Development	0	1,063,330	1,063,330
Security of Persons	0	12,319	12,319
Fire and Police Pension	0	53,075	53,075
Court Computers	0	22,322	22,322
Railroad Improvement	0	149,257	149,257
Debt Service	0	23,376	23,376
Capital Improvement	0	1,080,952	1,080,952
Total Restricted	<u>0</u>	<u>3,386,606</u>	<u>3,386,606</u>
<u>Committed</u>			
Other Purposes	0	1,273	1,273
Total Committed	<u>0</u>	<u>1,273</u>	<u>1,273</u>
<u>Assigned</u>			
Other Purposes	259,111	0	259,111
Total Assigned	<u>259,111</u>	<u>0</u>	<u>259,111</u>
<u>UNASSIGNED</u>	<u>1,770,420</u>	<u>0</u>	<u>1,770,420</u>
Total Fund Balance	<u>\$ 2,037,474</u>	<u>\$ 3,441,250</u>	<u>\$ 5,478,724</u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 19: INTERFUND TRANSFERS

The following interfund transfers were made during 2011:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 716,700	\$ 0
Nonmajor Special Revenue Funds:		
Street Fund	0	100,000
Cemetery	0	100,000
Capital Improvement	0	0
Street Sweeper Fund	0	0
Police Pension	0	45,000
Fire Pension	0	0
Bond Retirem City Complex	0	166,700
Total Nonmajor Special Revenue Funds	0	411,700
Nonmajor Capital Project Funds:		
Route 20 Paving Project	0	300,000
Street Sweeper Fund	0	5,000
Total Nonmajor Capital Project Funds	0	305,000
Total Transfers	\$ 716,700	\$ 716,700

The General Fund made transfers to other governmental funds to subsidize various activities in other funds.

NOTE 20: CHANGE IN ACCOUNTING PRINCIPLES

For 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in a change in total fund balance but only the classification of fund balance on the City's financial statements.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement has no impact on the City's financial statements or disclosures.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

NOTE 21: DEPOSITS ON CAPITAL PROJECTS

A deposit was made on a pending project to resurface State Route 4. It was in the amount of \$32,684 and was made to the Treasurer of State and will be held until the project begins.

NOTE 22: SUBSEQUENT EVENT

On April 3, 2012, the City issued \$1,110,000 in Municipal Building Refunding bonds for the Municipal Building bonds originally issued in 1999. The bonds mature on December 1, 2019.

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

To the Members of City Council
City of Bellevue, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Bellevue, Ohio's basic financial statements and have issued our report thereon dated August 3, 2012, wherein we noted that the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* which impacted governmental fund balance classifications. 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

Management of the City of Bellevue, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Bellevue, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bellevue, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue, Ohio's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting as **Finding 2011-001**. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Bellevue, Ohio, in a separate letter dated August 3, 2012.

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

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


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

August 3, 2012

**CITY OF BELLEVUE
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

Finding 2011-001 - Significant Deficiency - Capital Assets

Statement of Condition

During our review of capital assets, we noted that the City does not maintain comprehensive records to account for land, land improvements, machinery and equipment, and vehicles, and related accumulated depreciation. We also noted that the City has equipment that is currently in use that is fully depreciated.

Criteria

The City should maintain a comprehensive asset listing of land, land improvements, machinery and equipment, and vehicles, accumulated depreciation.

Cause/Effect

Failure to update capital asset listings for land, land improvements, machinery and equipment, and vehicles when purchased or deleted eliminates the ability of the City to accurately present the value of these capital assets. This could result in the overstatement or understatement of capital assets, related accumulated depreciation, depreciation expense, and net assets invested in capital assets, net of related debt for the land, land improvements, machinery equipment, and vehicles category of capital assets.

Recommendation

We recommend that the City follow its capital asset policy and utilize the appropriate documentation forms for the additions, deletions, or movement of an asset from one department/function to another with approval for deletion by City Council and recorded in the City's minute records; maintain a detailed asset list for land, land improvements, machinery and equipment, and vehicles by department/function, which will assist in the preparation of the City's basic financial statements. The list should also accurately reflect all current and accumulated depreciation, City affixed tag numbers, serial numbers (where applicable), date asset placed into service, salvage value, market value, etc.

Client Response/Corrective Action Plan

In prior years, the City developed a centralized capital asset policy and the City Engineer completed and updated capital asset listings and depreciation for governmental and business-type activities infrastructure, land and buildings. The City is continuing to develop comprehensive historical asset listing for several asset categories to provide improved documentation for the financial statements. All acquisitions are now being detailed in the asset listings.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected</u>	<u>Explanation</u>
2010-001	Significant deficiency regarding lack of capital asset support	No	Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Some corrective action taken; (the City has reported material Capital Assets). Reported as a Significant Deficiency as Finding 2011-001 .

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

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Dave Yost • Auditor of State

CITY OF BELLEVUE

PERRY 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
JANUARY 8, 2013