

**CITY OF BELLEVUE
HURON COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Bellevue, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2014 through December 31, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 28, 2015

This page intentionally left blank.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
AUDIT REPORT AND BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Government-wide Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Parks and Recreation Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	22
Notes to the Basic Financial Statements	23-59
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60-61
Status of Prior Citations and Recommendations	62

This page intentionally left blank.

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Members of City Council
City of Bellevue, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bellevue, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, President
Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@bcglobal.net, c=US
Date: 2015.06.25 11:41:39 -0400

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

June 18, 2015

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014. 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 2014 are as follows:

- ❑ The City's net position increased \$128,203 as a result of this year's operations. The net position of the City's governmental activities decreased \$575,801 or 3.19 percent, and net position for the City's business-type activities increased by \$704,004, or 2.85 percent.
- ❑ During the year, the City had expenses for governmental activities in the amount of \$6,306,078 and program and general revenues in the amount of \$5,730,277, which were not adequate to cover expenses. Business-type activities applied program revenues of \$5,587,527 to \$4,883,523 of expenses in 2014.

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 Position* 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 and Parks and Recreation Fund are the major funds and are by far the most significant funds.

Reporting the City as a Whole

Statement of Net Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all *assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources* 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
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

These two statements report the City's *net position* and changes in net position. This change in net position 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 Position 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, Transportation, and Leisure Time Activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Water Fund and Wastewater Pollution Fund are reported as business-type activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund and the Revolving Loan 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 Position 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, 2014
UNAUDITED**

The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013:

Table 1 - Net Position

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014	Total 2013
<u>Assets</u>				
Current and Other Assets	\$ 6,170,538	\$ 4,510,372	\$ 10,680,910	\$ 11,372,250
Capital Assets	13,492,932	26,753,873	40,246,805	39,646,853
Total Assets	19,663,470	31,264,245	50,927,715	51,019,103
<u>Deferred Outflows of Resources</u>				
Deferred Outflows of Resources	17,106	0	17,106	20,314
<u>Liabilities</u>				
Other Liabilities	320,809	471,609	792,418	582,798
Long-Term Liabilities	1,199,268	5,421,747	6,621,015	7,079,724
Total Liabilities	1,520,077	5,893,356	7,413,433	7,662,522
<u>Deferred Inflows of Resources</u>				
Property Taxes	672,203	0	672,203	645,913
Total Deferred Inflows of Resources	672,203	0	672,203	645,913
<u>Net Position</u>				
Net Investment in Capital Assets	12,804,739	21,553,507	34,358,246	33,227,552
Restricted	2,783,254	0	2,783,254	3,909,012
Unrestricted	1,900,303	3,817,382	5,717,685	5,594,418
Total Net Position	\$ 17,488,296	\$ 25,370,889	\$ 42,859,185	\$ 42,730,982

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Table 2 shows the changes in net position for the year 2014 compared to 2013:

Table 2 - Changes in Net Position

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014	Total 2013
<u>Revenues</u>				
Program Revenues:				
Charges for Services	\$ 587,029	\$ 5,587,527	\$ 6,174,556	\$ 5,831,090
Operating Grants and Contributions	455,871	0	455,871	877,584
Capital Grants and Contributions	235,967	0	235,967	1,933,706
General Revenues:				
Municipal Income Taxes	3,308,457	0	3,308,457	3,934,586
Property Taxes	677,705	0	677,705	589,867
Grants and Entitlements	384,345	0	384,345	514,218
Investment Income	13,058	0	13,058	14,672
All Other Revenues	67,845	0	67,845	73,464
Total Revenues	5,730,277	5,587,527	11,317,804	13,769,187
<u>Program Expenses</u>				
General Government -Legislative and Executive	1,344,354	0	1,344,354	2,066,165
General Government -Judicial	322,915	0	322,915	302,326
Security of Persons and Property	2,577,100	0	2,577,100	2,828,977
Public Health and Welfare	122,673	0	122,673	87,220
Transportation	1,237,688	0	1,237,688	1,331,770
Community Environment	110,069	0	110,069	56,057
Leisure Time Activities	571,172	0	571,172	630,334
Interest and Fiscal Charges	20,107	0	20,107	22,923
Water	0	2,839,208	2,839,208	2,747,058
Wastewater Pollution	0	2,044,315	2,044,315	2,064,741
Total Expenses	6,306,078	4,883,523	11,189,601	12,137,571
Increase (Decrease) in Net Position	\$ (575,801)	\$ 704,004	\$ 128,203	\$ 1,631,616

Governmental Activities

Presently, the City has non-voted millage of 2.0 mills for General Fund operations and 0.3 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 2.0 mills for recreation.

The unique nature of property taxes in Ohio sometimes creates the need to seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later the home were reappraised and its value increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners), the effective tax rate would become 0.5 mills and the owner would still pay \$35.

Thus, the City depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 69.56 percent of total revenues for governmental activities in calendar year 2014.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Capital Grants and Contributions program revenue decreased by \$1,697,739 in 2014, mainly due to the City having property donated and grant proceeds received from Ohio Department of Transportation in 2013 that were not received by the City in 2014.

General Government – Legislative, Executive, and Judicial comprise 26.44 percent; Security of Persons and Property comprise 40.87 percent; Leisure Time Activities comprise 9.06 percent; and Transportation comprised 19.63 percent of governmental program expenses.

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 2014	Net Cost of Services 2014	Total Cost of Services 2013
General Government - Legislative and Executive	\$ 1,344,354	\$ 1,284,767	\$ 2,066,165
General Government - Judicial	322,915	120,064	302,326
Security of Persons and Property	2,577,100	2,478,100	2,828,977
Public Health and Welfare	122,673	107,523	87,220
Transportation	1,237,688	817,946	1,331,770
Community Environment	110,069	(82,661)	56,057
Leisure Time Activities	571,172	281,365	630,334
Interest and Fiscal Charges	20,107	20,107	22,923
Total Expenses	\$ 6,306,078	\$ 5,027,211	\$ 7,325,772

The dependence upon tax revenues for governmental activities is apparent. 63.21 percent of program expenses and services are supported through taxes alone. 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 total revenues of \$5,587,527 and total expenses of \$4,883,523 for the year 2014 for an increase in net position of \$704,004. Business-type activities receive no support from tax revenues.

The City's Funds

Information about the City's major funds, which are the General Fund and the Revolving Loan Fund, starts on page 12. All governmental funds had total revenues (including other financing sources) of \$7,042,083, and expenditures (including other financing uses) of \$8,664,660. The General Fund, which is always a major fund, had a net decrease in fund balance of \$580,669; and the Revolving Loan Fund had net decrease in fund balance of \$782,200.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
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 2014, the City amended its General Fund budget only a few times. The City uses department-based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$5,107,660, plus a beginning unobligated cash balance of \$1,181,046, for an amount of \$6,288,706. This estimate was applied to the final budget amount of expenditures and prior year encumbrances of \$6,130,438, for a budget unobligated balance of \$323,131. The City's General Fund actual ending unobligated cash balance was \$1,181,381, for a favorable variance of \$858,250.

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the City had \$40,246,805 invested in land and land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, infrastructure, and construction in progress. \$13,492,932 is reported in the governmental activities while \$26,753,873 is reported in the business-type activities. Table 4 shows the 2014 balances compared to 2013.

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

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014	Total 2013
Land and Land Improvements	\$ 1,290,607	\$ 2,703,909	\$ 3,994,516	\$ 3,986,116
Buildings and Improvements	6,209,838	16,621,606	22,831,444	22,783,703
Furniture, Fixtures, and Equipment	568,847	1,921,791	2,490,638	2,316,499
Vehicles	2,462,012	394,162	2,856,174	2,727,984
Infrastructure	14,280,887	19,788,273	34,069,160	33,887,535
Construction in Progress	1,251,946	-	1,251,946	6,132
Total Capital Assets	26,064,137	41,429,741	67,493,878	65,707,969
Accumulated Depreciation	(12,571,205)	(14,675,868)	(27,247,073)	(26,061,116)
Totals	\$ 13,492,932	\$ 26,753,873	\$ 40,246,805	\$ 39,646,853

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, 2014
UNAUDITED**

Debt

At December 31, 2014, the City had \$5,905,366 in bonds and loans outstanding with \$494,210 due within one year. Table 5 summarizes bond and loans outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014	Total 2013
Refund Municipal Building Bond	\$ 705,000	\$ 0	\$ 705,000	\$ 840,000
Capital Lease	0	0	0	48,498
O.W.D.A. Loans	0	5,200,366	5,200,366	5,550,761
Total	\$ 705,000	\$ 5,200,366	\$ 5,905,366	\$ 6,439,259

Outstanding general obligation bonds consist of a refunding municipal building bond 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 capital lease, which was fully matured in 2014, consists of a lease for a street sweeper. 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 citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Steve Smith, City Auditor, 3000 Seneca Industrial Parkway, Bellevue, Ohio 44811-8709 or e-mail at auditor@cityofbellevue.com.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 3,695,562	\$ 3,386,516	\$ 7,082,078
Cash and Cash Equivalents:			
In Segregated Accounts	2,374	-	2,374
Materials and Supplies Inventory	55,173	397,782	452,955
Accounts Receivable	80,537	726,074	806,611
Intergovernmental Receivable	320,220	-	320,220
Municipal Income Taxes Receivable	1,164,755	-	1,164,755
Property Taxes Receivable	708,719	-	708,719
Notes Receivable	110,514	-	110,514
Restricted Assets:			
Deposits	32,684	-	32,684
Nondepreciable Capital Assets	2,439,521	2,200,212	4,639,733
Depreciable Capital Assets	11,053,411	24,553,661	35,607,072
Total Assets	19,663,470	31,264,245	50,927,715
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	17,106	-	17,106
Total Deferred Outflows of Resources	17,106	-	17,106
LIABILITIES			
Accounts Payable	47,485	279,891	327,376
Accrued Wages and Benefits	117,994	57,984	175,978
Intergovernmental Payable	85,985	35,298	121,283
Accrued Interest Payable	1,091	65,005	66,096
Claims Payable	68,254	33,431	101,685
Long-term Liabilities:			
Due within one year	241,951	420,243	662,194
Due in more than one year	957,317	5,001,504	5,958,821
Total Liabilities	1,520,077	5,893,356	7,413,433
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	672,203	-	672,203
Total Deferred Inflows of Resources	672,203	-	672,203
NET POSITION			
Net Investment in Capital Assets	12,804,739	21,553,507	34,358,246
Restricted for:			
Capital Projects	737,131	-	737,131
Debt Service	23,376	-	23,376
Other Purposes	2,022,747	-	2,022,747
Unrestricted	1,900,303	3,817,382	5,717,685
Total Net Position	\$ 17,488,296	\$ 25,370,889	\$ 42,859,185

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Primary Government:							
Governmental activities:							
General Government:							
Legislative and Executive	\$ 1,344,354	\$ 59,587	\$ -	\$ -	\$ (1,284,767)	\$ -	\$ (1,284,767)
Judicial	322,915	202,851	-	-	(120,064)	-	(120,064)
Security of Persons and Property	2,577,100	-	-	99,000	(2,478,100)	-	(2,478,100)
Public Health and Welfare	122,673	15,150	-	-	(107,523)	-	(107,523)
Transportation	1,237,688	12,795	406,947	-	(817,946)	-	(817,946)
Community Environment	110,069	55,763	-	136,967	82,661	-	82,661
Leisure Time Activities	571,172	240,883	48,924	-	(281,365)	-	(281,365)
Interest and Fiscal Charges	20,107	-	-	-	(20,107)	-	(20,107)
Total Governmental activities	6,306,078	587,029	455,871	235,967	(5,027,211)	-	(5,027,211)
Business-type activities:							
Water	2,839,208	2,670,889	-	-	-	(168,319)	(168,319)
Wastewater Pollution	2,044,315	2,916,638	-	-	-	872,323	872,323
Total Business-type activities	4,883,523	5,587,527	-	-	-	704,004	704,004
Total Primary Government	\$ 11,189,601	\$ 6,174,556	\$ 455,871	\$ 235,967	(5,027,211)	704,004	(4,323,207)
General Revenues:							
Property Taxes levied for:							
General Purposes					221,057	-	221,057
Other Purposes					456,648	-	456,648
Municipal Income Taxes levied for:							
General Purposes					3,308,457	-	3,308,457
Grants & Entitlements not restricted to specific programs					384,345	-	384,345
Investment Income					13,058	-	13,058
All Other Revenues					67,845	-	67,845
Total General Revenues					4,451,410	-	4,451,410
Change in Net Position					(575,801)	704,004	128,203
Net Position - Beginning of Year					18,064,097	24,666,885	42,730,982
Net Position - End of Year					\$ 17,488,296	\$ 25,370,889	\$ 42,859,185

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 1,278,581	\$ 353,567	\$ 2,063,414	\$ 3,695,562
Cash and Cash Equivalents:				
In Segregated Accounts	2,374	-	-	2,374
Materials and Supplies Inventory	7,943	-	47,230	55,173
Accounts Receivable	67,938	8,768	3,831	80,537
Intergovernmental Receivable	108,222	-	211,998	320,220
Restricted Assets:				
Deposits	-	-	32,684	32,684
Municipal Income Taxes Receivable	1,164,755	-	-	1,164,755
Property Taxes Receivable	235,725	-	472,994	708,719
Notes Receivable	-	110,514	-	110,514
Total Assets	\$ 2,865,538	\$ 472,849	\$ 2,832,151	\$ 6,170,538
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 23,802	\$ -	\$ 23,683	\$ 47,485
Accrued Wages and Benefits	93,017	-	24,977	117,994
Intergovernmental Payable	51,852	-	34,133	85,985
<i>Total Liabilities</i>	<u>168,671</u>	<u>-</u>	<u>82,793</u>	<u>251,464</u>
Deferred Inflows of Resources:				
Property Taxes	223,372	-	448,831	672,203
Unavailable Revenue - Delinquent Property Taxes	12,353	-	24,163	36,516
Unavailable Revenue - Municipal Income Taxes	595,478	-	-	595,478
Unavailable Revenue - Other	114,837	8,768	149,679	273,284
<i>Total Deferred Inflows of Resources</i>	<u>946,040</u>	<u>8,768</u>	<u>622,673</u>	<u>1,577,481</u>
Fund Balances:				
Nonspendable	7,943	-	47,230	55,173
Restricted	8,085	464,081	2,081,248	2,553,414
Assigned	1,054,401	-	-	1,054,401
Unassigned	680,398	-	(1,793)	678,605
<i>Total Fund Balances</i>	<u>1,750,827</u>	<u>464,081</u>	<u>2,126,685</u>	<u>4,341,593</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,865,538	\$ 472,849	\$ 2,832,151	\$ 6,170,538

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Total Governmental Funds Balance	\$	4,341,593
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>		
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds		13,492,932
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Municipal income taxes	\$ 595,478	
Delinquent property taxes	36,516	
Intergovernmental	222,008	
Charges for services	51,276	
Total		905,278
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(1,091)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(705,000)	
Unamortized bond premiums	(299)	
Deferral of loss on refunding	17,106	
Compensated absences	(493,969)	
Claims payable	(68,254)	
Total		(1,250,416)
Net Position of Governmental Activities	\$	17,488,296

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 225,318	\$ -	\$ 465,008	\$ 690,326
Municipal Income Taxes	3,314,047	-	-	3,314,047
Intergovernmental	330,510	-	653,036	983,546
Interest	7,176	3,964	1,918	13,058
Fees, Licenses, and Permits	54,119	-	-	54,119
Fines and Forfeitures	182,543	-	33,103	215,646
Charges for Services	18,723	-	256,033	274,756
Contributions and Donations	-	138,905	48,924	187,829
All Other Revenues	54,805	-	12,534	67,339
Total Revenues	4,187,241	142,869	1,470,556	5,800,666
EXPENDITURES				
General Government:				
Legislative and Executive	1,402,361	-	-	1,402,361
Judicial	311,709	-	5,155	316,864
Security of Persons and Property	2,040,129	-	518,519	2,558,648
Public Health and Welfare	-	-	120,136	120,136
Transportation	-	-	943,934	943,934
Community Environment	55,972	25,855	28,242	110,069
Leisure Time Activities	-	-	535,778	535,778
Capital Outlay	-	899,214	346,600	1,245,814
Debt Service:				
Principal Retirement	-	-	183,498	183,498
Interest and Fiscal Charges	-	-	17,080	17,080
Total Expenditures	3,810,171	925,069	2,698,942	7,434,182
Excess of Revenues (Under) Expenditures	377,070	(782,200)	(1,228,386)	(1,633,516)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	10,939	-	-	10,939
Transfers In	130,900	-	1,099,578	1,230,478
Transfers Out	(1,099,578)	-	(130,900)	(1,230,478)
Total Other Financing Sources (Uses)	(957,739)	-	968,678	10,939
Net Change in Fund Balances	(580,669)	(782,200)	(259,708)	(1,622,577)
Fund Balances - Beginning of Year	2,331,496	1,246,281	2,382,666	5,960,443
Increase in Inventory	-	-	3,727	3,727
Fund Balances - End of Year	\$ 1,750,827	\$ 464,081	\$ 2,126,685	\$ 4,341,593

The notes to the basic financial statements are an integral part of this statement

**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, 2014**

Net Change in Fund Balances-Total Governmental Funds \$ (1,622,577)

Amounts reported for 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 outlay exceeded depreciation in the current period.

Capital outlay	\$	1,754,133	
Depreciation		<u>(771,398)</u>	
Total			982,735

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (10,433)

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

Municipal income taxes		(5,590)	
Delinquent property taxes		(12,621)	
Intergovernmental		(103,960)	
Charges for services		<u>51,276</u>	
Total			(70,895)

Repayment of bond principal and capital lease principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 183,498

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 Governmental funds.

Compensated absences		(20,869)	
Accrued interest on bonds		124	
Claims payable		(17,960)	
Amortization of bond premiums		57	
Amortization of loss on refunding		(3,208)	
Change in inventory		<u>3,727</u>	
Total			<u>(38,129)</u>

Change in Net Position of Governmental Activities \$ (575,801)

The notes to the basic financial statements are an integral part of this statement

**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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 213,870	\$ 213,870	\$ 225,318	\$ 11,448
Municipal Income Taxes	3,800,000	3,800,000	3,325,234	(474,766)
Intergovernmental	814,490	814,490	834,117	19,627
Interest	7,500	7,500	7,176	(324)
Fees, Licenses, and Permits	56,675	56,675	54,484	(2,191)
Fines and Forfeitures	162,500	162,500	181,709	19,209
Charges for Services	4,625	4,625	5,468	843
All Other Revenues	48,000	48,000	70,196	22,196
Total Revenues	<u>5,107,660</u>	<u>5,107,660</u>	<u>4,703,702</u>	<u>(403,958)</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	1,734,047	1,755,747	1,492,593	263,154
Judicial	368,728	368,728	307,959	60,769
Security of Persons and Property	2,464,281	2,464,281	2,053,967	410,314
Community Environment	81,682	81,682	55,972	25,710
Total Expenditures	<u>4,648,738</u>	<u>4,670,438</u>	<u>3,910,491</u>	<u>759,947</u>
Excess of Revenues Over (Under) Expenditures	458,922	437,222	793,211	355,989
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	10,939	10,939
Transfer In	-	-	130,900	130,900
Transfers Out	(1,310,000)	(1,460,000)	(1,099,578)	360,422
Total Other Financing Sources (Uses)	<u>(1,310,000)</u>	<u>(1,460,000)</u>	<u>(957,739)</u>	<u>502,261</u>
Net Change in Fund Balance	(851,078)	(1,022,778)	(164,528)	858,250
Fund Balance - Beginning of Year	1,181,046	1,181,046	1,181,046	-
Prior Year Encumbrances Appropriated	164,863	164,863	164,863	-
Fund Balance - End of Year	<u>\$ 494,831</u>	<u>\$ 323,131</u>	<u>\$ 1,181,381</u>	<u>\$ 858,250</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL -
REVOLVING LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Interest	\$ 500	\$ 500	\$ 108	\$ (392)
Contributions and Donations	-	-	138,905	138,905
All Other Revenues	23,990	23,990	37,339	13,349
Total Revenues	<u>24,490</u>	<u>24,490</u>	<u>176,352</u>	<u>151,862</u>
Expenditures:				
Current:				
Community Environment	402,500	1,012,500	931,201	81,299
Total Expenditures	<u>402,500</u>	<u>1,012,500</u>	<u>931,201</u>	<u>81,299</u>
Net Change in Fund Balance	(378,010)	(988,010)	(754,849)	233,161
Fund Balance - Beginning of Year	498,416	498,416	498,416	-
Prior Year Encumbrances Appropriated	610,000	610,000	610,000	-
Fund Balance - End of Year	<u>\$ 730,406</u>	<u>\$ 120,406</u>	<u>\$ 353,567</u>	<u>\$ 233,161</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
ASSETS			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,509,763	\$ 1,876,753	\$ 3,386,516
Materials and Supplies Inventory	362,087	35,695	397,782
Accounts Receivable	339,769	386,305	726,074
<i>Total Current Assets</i>	<u>2,211,619</u>	<u>2,298,753</u>	<u>4,510,372</u>
Noncurrent Assets:			
Capital Assets:			
Land	1,781,297	418,915	2,200,212
Depreciable Assets, Net of Depreciation	11,668,842	12,884,819	24,553,661
<i>Total Noncurrent Assets</i>	<u>13,450,139</u>	<u>13,303,734</u>	<u>26,753,873</u>
Total Assets	<u>15,661,758</u>	<u>15,602,487</u>	<u>31,264,245</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	201,514	78,377	279,891
Accrued Wages and Benefits	31,707	26,277	57,984
Intergovernmental Payable	20,211	15,087	35,298
Accrued Interest Payable	-	65,005	65,005
Compensated Absences Payable	41,215	19,818	61,033
Claims Payable	18,630	14,801	33,431
OWDA Loans Payable	-	359,210	359,210
<i>Total Current Liabilities</i>	<u>313,277</u>	<u>578,575</u>	<u>891,852</u>
Noncurrent Liabilities:			
Compensated Absences Payable	102,045	58,303	160,348
OWDA Loans Payable	-	4,841,156	4,841,156
<i>Total Noncurrent Liabilities</i>	<u>102,045</u>	<u>4,899,459</u>	<u>5,001,504</u>
Total Liabilities	<u>415,322</u>	<u>5,478,034</u>	<u>5,893,356</u>
NET POSITION			
Net Investment in Capital Assets	13,450,139	8,103,368	21,553,507
Unrestricted	1,796,297	2,021,085	3,817,382
Total Net Position	<u>\$ 15,246,436</u>	<u>\$ 10,124,453</u>	<u>\$ 25,370,889</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 2,658,652	\$ 2,883,088	\$ 5,541,740
Miscellaneous	-	27,870	27,870
Other Services	2,037	-	2,037
Total Operating Revenues	2,660,689	2,910,958	5,571,647
OPERATING EXPENSES			
Salaries	1,052,936	730,647	1,783,583
Materials and Supplies	494,329	164,990	659,319
Contractual Services	991,091	610,937	1,602,028
Depreciation	299,954	403,808	703,762
Other	373	373	746
Total Operating Expense	2,838,683	1,910,755	4,749,438
Operating Income (Loss)	(177,994)	1,000,203	822,209
NONOPERATING REVENUES (EXPENSES)			
Loss on Sale of Capital Assets	(525)	(1,347)	(1,872)
Interest and Fiscal Charges	-	(132,213)	(132,213)
Tap-In Fees	10,200	5,680	15,880
Total Nonoperating Revenues (Expenses)	9,675	(127,880)	(118,205)
Change in Net Position	(168,319)	872,323	704,004
Net Position - Beginning of Year	15,414,755	9,252,130	24,666,885
Net Position - End of Year	\$ 15,246,436	\$ 10,124,453	\$ 25,370,889

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Charges for Services	\$ 2,626,193	\$ 2,875,536	\$ 5,501,729
Cash Payments to Employees for Services	(1,002,442)	(711,225)	(1,713,667)
Cash Payments for Goods and Services	(1,322,111)	(742,295)	(2,064,406)
Other Cash Payments	(373)	(373)	(746)
Net Cash Provided by Operating Activities	<u>301,267</u>	<u>1,421,643</u>	<u>1,722,910</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tap-In Fees	<u>10,200</u>	<u>5,680</u>	<u>15,880</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,200</u>	<u>5,680</u>	<u>15,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	-	(350,395)	(350,395)
Interest Paid on Debt	-	(136,593)	(136,593)
Payments for Capital Acquisitions	<u>(138,845)</u>	<u>(194,439)</u>	<u>(333,284)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(138,845)</u>	<u>(681,427)</u>	<u>(820,272)</u>
Net Increase in Cash and Cash Equivalents	172,622	745,896	918,518
Cash and Cash Equivalents - Beginning of Year	<u>1,337,141</u>	<u>1,130,857</u>	<u>2,467,998</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,509,763</u></u>	<u><u>\$ 1,876,753</u></u>	<u><u>\$ 3,386,516</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (177,994)	\$ 1,000,203	\$ 822,209
Adjustments:			
Depreciation	299,954	403,808	703,762
(Increase) Decrease in Assets:			
Accounts Receivable	(34,496)	(35,422)	(69,918)
Materials and Supplies Inventory	26,940	(4,342)	22,598
Increase (Decrease) in Liabilities:			
Accounts Payable	136,369	37,974	174,343
Accrued Wages and Benefits	(131)	4,876	4,745
Intergovernmental Payable	57	1,443	1,500
Claims Payable	5,104	4,195	9,299
Compensated Absences Payable	45,464	8,908	54,372
Net Cash Provided by Operating Activities	<u><u>\$ 301,267</u></u>	<u><u>\$ 1,421,643</u></u>	<u><u>\$ 1,722,910</u></u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Private Purpose Trust	Agency
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 114,204	\$ 17,636
Cash and Cash Equivalents In Segregated Accounts	-	4,116
Accounts Receivable	-	497
Total Assets	114,204	22,249
<u>Liabilities</u>		
Undistributed Monies	-	22,249
Total Liabilities	-	\$ 22,249
<u>Net Position</u>		
Held in Trust for Perpetual Care and Other Purposes	114,204	
Total Net Positon	\$ 114,204	

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Private Purpose Trust
<u>Additions</u>	
Interest Income	\$ 533
Total Additions	533
Change in Net Position	533
Net Position Beginning of Year	113,671
Net Position End of Year	\$ 114,204

The notes to the basic financial statements are an integral part of this statement

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The City has 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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 Position 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 Position 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 Position 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, 2014
(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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

Revolving Loan Fund – This fund accounts for the revenue received from federal government, Community Development loans and expenditures relative to the operation of this program.

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 position, 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, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

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 deferred outflows of resources, and current liabilities and deferred inflows of resources, 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 deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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, 2014
(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 outflows/inflows of resources 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 sixty 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: municipal 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, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding reported in the government-wide Statement of Net Position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds' balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amount became available.

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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 data 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 2014. 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.

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 2014.

Annual Budget

The City Auditor submits a temporary budget in November and an annual “permanent” budget to Council in February. 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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (Continued)

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 constrain that portion of the applicable appropriation and to determine and maintain legal compliance.

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 in Pooled Cash and Cash Equivalents and Investments

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

During 2014, 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 2014 amounted to \$7,176, which included \$2,658 assigned from other funds of the City.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Equity in Pooled Cash and Cash Equivalents and Investments (Continued)

The City invested funds in the State Treasurer's Asset Reserve of Ohio (STAR Ohio) during 2014. 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, 2014.

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.

G. Inventories

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

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

H. 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 Position 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 Position and in the respective funds.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

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 \$7,500. 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. Improvements are depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, 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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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.

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 sixty 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:

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance (Continued)

Non-spendable: The non-spendable 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.

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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance (Continued)

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.

M. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is 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 position 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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014.

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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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 and Revolving Loan 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 basis).

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	Revolving Loan
GAAP Basis	\$ (580,669)	\$ (782,200)
Increase (Decrease) Due to:		
Revenue Accruals	516,461	33,483
Expenditure Accruals	(3,816)	(6,132)
Outstanding Encumbrances	(96,504)	-
Budgetary Basis	\$ (164,528)	\$ (754,849)

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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;
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;

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
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 City, and must be purchased with the expectation that it will be held to maturity.

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

Cash On Hand

At year-end, \$695 was on hand throughout the City in the form of drawer change and petty cash.

Deposits

At year-end, the carrying amount of the City's deposits was \$2,012,348 and the bank balance was \$2,315,266. Of the total bank balance, \$396,819 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$1,918,447 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

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

Investments

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

<u>Investment Type</u>	<u>Investment Maturity (In Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>
STAR Ohio	< 3 months	AAAm	\$5,207,365
Total Investments			<u>\$5,207,365</u>

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

	Reconciliation to Balance Sheet
City's Deposits	\$2,012,348
Petty Cash and Drawer Change	695
Investments	5,207,365
Total	\$7,220,408
Per Balance Sheets	
Government-wide Statement of Net Position:	
Equity in Pooled Cash and Cash Equivalents	\$7,082,078
Cash and Cash Equivalents in Segregated Accounts	2,374
Statement of Fiduciary Net Position:	
Equity in Pooled Cash and Cash Equivalents	131,840
Cash and Cash Equivalents in Segregated Accounts	4,116
Total	\$7,220,408

NOTE 5: RECEIVABLES

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property 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 2014 for real and public utility property taxes represents collections of the 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 5: RECEIVABLES (Continued)

Property Taxes (Continued)

The full tax rate for all City operations for the year ended December 31, 2014, was \$6.60 per \$1,000 of assessed value. The 2013 assessed values of real estate and public utility property upon which the 2014 property tax receipts were based on are as follows:

	<u>Sandusky County</u>	<u>Huron County</u>
Real Estate:		
Residential/Agricultural	\$52,227,250	\$33,796,040
Commercial/Industrial	<u>17,989,590</u>	<u>15,479,610</u>
Total Real Estate	<u>70,216,840</u>	<u>49,275,650</u>
Public Utility:		
Real	19,350	734,880
Personal	<u>1,663,550</u>	<u>2,151,710</u>
Total Public Utility	<u>1,682,900</u>	<u>2,886,590</u>
Total Assessed Valuation	<u><u>\$71,899,740</u></u>	<u><u>\$52,162,240</u></u>

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

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

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 represents real property, tangible personal property, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2014, 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 2014 operations.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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	\$ 93,033
Homestead and Rollback	43,180
Gasoline and Excise Tax	145,784
Motor Vehicle License Fees	35,171
Permissive Motor Vehicle License Tax	3,052
Total	<u><u>\$ 320,220</u></u>

NOTE 6: REVOLVING LOAN PROGRAM

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, 2014 were as follows:

	Rate	Beginning Balance 2014	Issuance	Paid	Ending Balance 2014
Team Ray Motorsports, Inc.	5%	\$ 17,152	\$ -	\$ 16,593	\$ 559
Shear Illusions	5%	7,287	-	2,019	5,268
Selbro, Inc.	3%	94,553	-	12,716	81,837
A La Chic	3%	25,005	-	2,155	22,850
		<u><u>\$ 143,997</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,483</u></u>	<u><u>\$ 110,514</u></u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, which are 100 percent paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible, followed by a 10 percent employee co-payment. A third party administrator, Klais & Company, Inc., Akron, Ohio, reviews, processes, and pays all claims. The City purchased stop-loss coverage of \$500,000 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 premiums are paid by the fund that paid the salary for the employee and is based on historical cost information.

The liability for unpaid claims of \$101,685 reported in the General Fund at December 31, 2014, 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. Changes in the City's claims liability amount in 2013 and 2014 were as follows:

	Beginning of Year	Claims	Claim Payments	End of Year
2013	\$113,850	\$363,770	(\$403,194)	\$74,426
2014	74,426	505,548	(478,289)	101,685

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 7: RISK MANAGEMENT (Continued)

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 2014, the City contracted with Wells Fargo Insurance Services USA, Inc. for property, fleet, crime, and liability insurance which are insured through Argonaut Insurance Group. Coverage provided is as follows:

Building and Contents-		
Replacement Cost	\$2,500 Deductible, 90% Co-Insured	\$ 39,011,908
Commercial General Liability:	Aggregate	3,000,000
	Per Occurrence Limit	1,000,000
Public Officials Liability:	Aggregate	3,000,000
	Each Claim	1,000,000
Employment Practices:	Aggregate	2,000,000
	Each Claim	1,000,000
Law Enforcement	Aggregate	3,000,000
	Each Claim (\$5,000 Deductible)	1,000,000
Automobile:		
Comprehensive	\$500 Deductible	1,000,000
Collision	\$500 Deductible	1,000,000
Inland Marine	\$500 Deductible	2,056,839
Public Employee Dishonesty	\$500 Deductible/Per Loss	50,000
Forgery or Alteration	\$250 Deductible/Per Loss	5,000
Theft, Disappearance, and Destruction	\$250 Deductible, Inside and Outside	5,000

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, 2014
(CONTINUED)**

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,187,575	\$ -	\$ -	\$ 1,187,575
Construction in Progress	6,132	1,245,814	-	1,251,946
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,193,707</u>	<u>1,245,814</u>	<u>-</u>	<u>2,439,521</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	103,032	-	-	103,032
Buildings and Improvements	6,219,838	-	(10,000)	6,209,838
Furniture, Fixtures, and Equipment	595,622	19,129	(45,904)	568,847
Vehicles	2,362,639	239,394	(140,021)	2,462,012
Infrastructure:				
Street Base	3,575,809	-	-	3,575,809
Street Surface	6,615,124	249,796	(68,171)	6,796,749
Street Storm Sewers	1,241,139	-	-	1,241,139
Street Lighting	2,667,190	-	-	2,667,190
<i>Total Capital Assets Being Depreciated</i>	<u>23,380,393</u>	<u>508,319</u>	<u>(264,096)</u>	<u>23,624,616</u>
<i>Total Capital Assets at Cost</i>	<u>24,574,100</u>	<u>1,754,133</u>	<u>(264,096)</u>	<u>26,064,137</u>
Less: Accumulated Depreciation:				
Land Improvements	(92,068)	(562)	-	(92,630)
Buildings and Improvements	(3,586,670)	(145,721)	10,000	(3,722,391)
Furniture, Fixtures, and Equipment	(443,756)	(36,511)	45,478	(434,789)
Vehicles	(2,088,481)	(102,298)	133,017	(2,057,762)
Infrastructure:				
Street Base	(1,533,024)	(44,697)	-	(1,577,721)
Street Surface	(2,715,753)	(292,735)	65,168	(2,943,320)
Street Storm Sewers	(475,092)	(15,515)	-	(490,607)
Street Lighting	(1,118,626)	(133,359)	-	(1,251,985)
Total Accumulated Depreciation	<u>(12,053,470)</u>	<u>(771,398)</u>	<u>253,663</u>	<u>(12,571,205)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>11,326,923</u>	<u>(263,079)</u>	<u>(10,433)</u>	<u>11,053,411</u>
Total Governmental Activities				
Capital Asset, Net	<u>\$ 12,520,630</u>	<u>\$ 982,735</u>	<u>\$ (10,433)</u>	<u>\$ 13,492,932</u>

Depreciation expense was charged to governmental functions as follows:

General Government-Legislative	\$ 70,781
General Government-Judicial	791
Security of Person and Property	74,212
Public Health and Welfare	1,150
Leisure Time Activities	89,422
Transportation	535,042
Total Depreciation Expense	<u><u>\$ 771,398</u></u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 8: CAPITAL ASSETS (Continued)

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Business-Type Activities - Water Fund:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,781,297	\$ -	\$ -	\$ 1,781,297
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,781,297</u>	<u>-</u>	<u>-</u>	<u>1,781,297</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	20,297	-	-	20,297
Buildings and Improvements	8,548,433	9,592	-	8,558,025
Furniture, Fixtures, and Equipment	242,228	63,024	-	305,252
Vehicles	198,723	66,229	(10,500)	254,452
Infrastructure	10,842,880	-	-	10,842,880
<i>Total Capital Assets Being Depreciated</i>	<u>19,852,561</u>	<u>138,845</u>	<u>(10,500)</u>	<u>19,980,906</u>
Less Accumulated Depreciation				
Land Improvements	(2,030)	(1,353)	-	(3,383)
Buildings and Improvements	(5,044,949)	(122,963)	-	(5,167,912)
Furniture, Fixtures, and Equipment	(135,216)	(16,363)	-	(151,579)
Vehicles	(108,929)	(24,038)	9,975	(122,992)
Infrastructure	(2,730,961)	(135,237)	-	(2,866,198)
Total Accumulated Depreciation	<u>(8,022,085)</u>	<u>(299,954)</u>	<u>9,975</u>	<u>(8,312,064)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>11,830,476</u>	<u>(161,109)</u>	<u>(525)</u>	<u>11,668,842</u>
Total Business-Type Activities - Capital Assets - Water Fund, Net	<u>\$ 13,611,773</u>	<u>\$ (161,109)</u>	<u>\$ (525)</u>	<u>\$ 13,450,139</u>

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Business-Type Activities-Wastewater Pollution Fund:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 418,915	\$ -	\$ -	\$ 418,915
<i>Total Capital Assets Not Being Depreciated</i>	<u>418,915</u>	<u>-</u>	<u>-</u>	<u>418,915</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvement	475,000	8,400	-	483,400
Buildings and Improvements	8,015,432	48,149	-	8,063,581
Furniture, Fixtures, and Equipment	1,478,649	137,890	-	1,616,539
Vehicles	166,622	-	(26,912)	139,710
Infrastructure	8,945,393	-	-	8,945,393
<i>Total Capital Assets Being Depreciated</i>	<u>19,081,096</u>	<u>194,439</u>	<u>(26,912)</u>	<u>19,248,623</u>
Less Accumulated Depreciation				
Land Improvement	(100,937)	(12,155)	-	(113,092)
Buildings and Improvements	(1,956,152)	(194,355)	-	(2,150,507)
Furniture, Fixtures, and Equipment	(1,054,867)	(61,571)	-	(1,116,438)
Vehicles	(60,889)	(23,884)	25,565	(59,208)
Infrastructure	(2,812,716)	(111,843)	-	(2,924,559)
Total Accumulated Depreciation	<u>(5,985,561)</u>	<u>(403,808)</u>	<u>25,565</u>	<u>(6,363,804)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>13,095,535</u>	<u>(209,369)</u>	<u>(1,347)</u>	<u>12,884,819</u>
Total Business-Type Activities - Capital Assets - Wastewater Pollution Fund	<u>\$ 13,514,450</u>	<u>\$ (209,369)</u>	<u>\$ (1,347)</u>	<u>\$ 13,303,734</u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 percent of the value. At December 31, 2014, 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 have been used.

A liability for accrued compensatory time, holiday, personal leave, and vacation for \$167,984 has been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts. Vacation leave may be accumulated up to a maximum of three times the employee's annual vacation allowance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 10: LONG TERM LIABILITIES

	Balance			Balance	Amounts
	12/31/2013	Additions	Retirements	12/31/2014	Due in One Year
<u>Governmental Activities</u>					
General Obligation Bonds:					
Municipal Building Bonds					
Issued 2012	\$ 840,000	\$ -	\$ 135,000	\$ 705,000	\$ 135,000
Unamortized Bond Premium	356	-	57	299	-
Capital Lease Payable,					
Issued 2009, 5.042%	48,498	-	48,498	-	-
Compensated Absences Payable	473,100	127,355	106,486	493,969	106,951
Total Governmental Type					
Activities, Long-term Liabilities	\$ 1,361,954	\$ 127,355	\$ 290,041	\$ 1,199,268	\$ 241,951
<u>Business-Type Activities</u>					
O.W.D.A. Loans:					
Issued 5/27/04 2.5%	\$ 5,550,761	\$ -	\$ 350,395	5,200,366	359,210
Compensated Absences Payable	167,009	97,882	43,510	221,381	61,033
Total Business-Type					
Activities, Long-term Liabilities	\$ 5,717,770	\$ 97,882	\$ 393,905	\$ 5,421,747	\$ 420,243

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City.

In April 2012, new Municipal Refunding Bonds were issued in the amount of \$1,110,000. These refunding bonds were issued to pay off the 1999 issue of outstanding bonds of \$1,050,000. The economic gain to the City was a savings of \$87,710.

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 debts outstanding as of December 31, 2014, including total interest payments of \$929,669 are as follows:

Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Obligation Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 135,000	\$ 13,093	\$ 359,210	\$ 127,778
2016	140,000	11,203	368,246	118,742
2017	140,000	8,963	377,510	109,478
2018	145,000	6,163	387,007	99,981
2019	145,000	3,263	396,742	90,246
2020-2024	-	-	2,138,537	296,403
2025-2027	-	-	1,173,114	44,356
Totals	<u>\$ 705,000</u>	<u>\$ 42,685</u>	<u>\$ 5,200,366</u>	<u>\$ 886,984</u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 11: CAPITAL LEASE

The City entered into a lease agreement as lessee for financing the acquisition of a 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 this capital lease is included in the governmental activities. The original cost of the asset acquired under capital lease and included in the governmental activities was \$203,641 and the net book value at December, 31, 2014 was \$193,459. As of December 31, 2014, the City had paid back the lease obligations.

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.

In February 2012, the city refunded the old issue of \$8,474,000 for refunding bonds of \$8,310,000 for the purpose of reducing the interest that would be paid from 9 percent to 5.75 percent. As of December 31, 2014, Hospital Facilities Revenue Bonds outstanding aggregated \$8,145,000.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 13: PENSION PLAN

Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan 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. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, 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.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The City's contribution rate was 14.00 percent of covered payroll. The pension allocation for the Traditional and Combined Plans was 12.00 percent during calendar year 2014. The City's required pension contributions for the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$338,876, \$333,690, and \$314,402, respectively; 92.64 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012. The unpaid contribution to fund pension obligation for 2014, in the amount of \$24,934, is recorded as a liability within the respective funds.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 13: PENSION PLAN (Continued)

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The 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. 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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2014 thru July 1, 2014, Plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 thru December 31, 2014, Plan members were required to contribute 11.50 percent of their annual covered salary. Throughout 2014, the City is required to contribute 19.50 percent and 24.0 percent for police officers and firefighters, respectively.

The portion of the City's contributions to fund pension obligations from January 1, 2014 thru December 31, 2014, for both police officers and firefighters was 19.00 percent and 23.50 percent, respectively. The City's contributions for pension obligations to the OP&F Fund for the year ending December 31, 2014, 2013, 2012 were \$142,417, \$136,765 and \$129,622 for police officers and \$67,999, \$76,809 and \$68,110 for firefighters, respectively, or 91.50 percent and 90.98 percent, respectively of the required contributions for 2014 and 100 percent of the required contributions for 2013 and 2012. The unpaid contribution to fund pension obligation for 2014, in the amounts of \$12,111 for police officers and \$6,133 for firefighters, is recorded as a liability within the respective funds.

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS

Ohio Public Employees Retirement System

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of 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. OPERS's eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the 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 coverage. The 2014 local government employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for local government employers. 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 2.00 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care was raised to 2.00 percent for both plans, as recommended by the OPERS Actuary. 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 actual employer contributions for December 31, 2014, 2013 and 2012 which were used to fund post-employment benefits were \$48,411, \$23,835, and \$89,829, respectively; 92.64 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS (Continued)

Ohio Public Employees Retirement System (Continued)

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description - 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.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit 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 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 is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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 of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFIT PLANS (Continued)

Ohio Police and Fire Pension Fund (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2014 thru December 31, 2014. 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 the Sections 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for the year ending December 31, 2014, 2013, 2012 were \$3,652, \$25,366 and \$44,867 for police officers and \$1,417, \$11,575 and \$19,156 for firefighters, respectively, or 91.50 percent and 90.98 percent, respectively, have been contributed for 2014 and 100 percent of the required contributions for 2013 and 2012.

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 in the General Fund, or as Restricted Fund Balance in the non-general funds.

Significant encumbrances as of December 31, 2014 were:

<u>Fund</u>	<u>Assigned</u>	<u>Restricted</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 82,326	\$ -	\$ 82,326
Non-major Governmental Funds	-	124,382	124,382
	<u>\$ 82,326</u>	<u>\$ 124,382</u>	<u>\$ 206,708</u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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 City.

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.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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:

Fund Balances	General	Revolving Loan	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventories	\$ 7,943	\$ -	\$ 47,230	\$ 55,173
<i>Total Nonspendable</i>	<u>7,943</u>	<u>-</u>	<u>47,230</u>	<u>55,173</u>
<i>Restricted for</i>				
Parks and Recreation	-	-	174,188	174,188
Police Pension	-	-	5,461	5,461
Fire Pension	-	-	14,325	14,325
Firefighter Grant	-	-	26	26
Law Enforcement	-	-	35,731	35,731
Street Construction	-	-	181,008	181,008
State Highway Improvements	-	-	58,226	58,226
Motor Vehicle License	-	-	216,796	216,796
EMS Contract	-	-	431,059	431,059
Clerk of Court Computer	-	-	37,068	37,068
Railroad Crossing Improvement	-	-	109,776	109,776
Revolving Loans	-	464,081	-	464,081
Capital Improvement	-	-	200,506	200,506
Street Sweeper	-	-	7,175	7,175
Elm Street Drainage	-	-	82,943	82,943
Special Fire Equipment	-	-	386,726	386,726
Storm Water Pump Station	-	-	59,781	59,781
Probation Service	-	-	3,130	3,130
Bellevue Central Park	-	-	52,667	52,667
Police Training	-	-	1,280	1,280
Special Assessment Sewer	-	-	19,349	19,349
Special Assessment Water Main	-	-	4,027	4,027
K-9 Unit	8,085	-	-	8,085
<i>Total Restricted</i>	<u>8,085</u>	<u>464,081</u>	<u>2,081,248</u>	<u>2,553,414</u>
<i>Assigned to</i>				
Fiscal Year 2015 Appropriations	972,075	-	-	972,075
Purchases on Orders	82,326	-	-	82,326
<i>Total Assigned</i>	<u>1,054,401</u>	<u>-</u>	<u>-</u>	<u>1,054,401</u>
<i>Unassigned</i>	680,398	-	(1,793)	678,605
Total Fund Balances	<u>\$ 1,750,827</u>	<u>\$ 464,081</u>	<u>\$ 2,126,685</u>	<u>\$ 4,341,593</u>

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 19: INTERFUND TRANSFERS

The following interfund transfers were made during 2014:

	<u>Transfers Out</u>	<u>Transfers In</u>
<i>Major Funds:</i>		
General Fund	\$ 1,099,578	\$ 130,900
<i>Nonmajor Governmental Funds:</i>		
<i>Special Revenue Funds:</i>		
Street Fund	-	100,000
Cemetery Fund	-	75,000
Police Pension Fund	-	100,000
Bellevue Central Park Fund	-	25,000
<i>Total Special Revenue Funds</i>	<u>-</u>	<u>300,000</u>
<i>Debt Service Funds:</i>		
G.O. Bond Retirement Fund	-	149,578
<i>Total Debt Service Funds:</i>	<u>-</u>	<u>149,578</u>
<i>Capital Project Funds:</i>		
Capital Improvement Fund	-	600,000
Route 20 Paving Project Fund	130,900	-
Street Sweeper Fund	-	50,000
<i>Total Capital Project Funds</i>	<u>130,900</u>	<u>650,000</u>
<i>Total Nonmajor Governmental Funds</i>	<u>130,900</u>	<u>1,099,578</u>
Total Transfers	<u>\$ 1,230,478</u>	<u>\$ 1,230,478</u>

The General Fund made transfers to other governmental funds to subsidize various activities in those funds. In prior periods the General Fund funded a project that was expensed from Route 20 Paving Project Fund. The project was completed in 2014 and the fund had excess funds that were transferred back to the original fund that provided the funding for the project.

NOTE 20: ACCOUNTABILITY

As of December 31, 2014, the Cemetery Fund, a nonmajor special revenue fund, had a deficit fund balance of \$1,793. The deficit fund balance resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles (GAAP). The General Fund is liable for any deficits within the City's funds and provides transfers when cash is required not when accruals occur.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 21: CHANGES IN ACCOUNTING PRINCIPLES

In 2014, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement Number 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the City.

GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 and have been implemented by the City.

GASB Statement Number 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the City.

These GASB Statements did not have an effect on the City's financial statements

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

To the Members of City Council
City of Bellevue, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Bellevue, Ohio's basic financial statements and have issued our report thereon dated June 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bellevue, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue, Ohio's internal control.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue, Ohio's financial statements are free from 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzupka@jsglobal.net, c=US
Date: 2015.06.25 11:43:17 -0400

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

June 18, 2015

**CITY OF BELLEVUE
HURON COUNTY, OHIO
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Corrected</u>	<u>Explanation</u>
2013-001	Significant deficiency regarding Internal controls over utility reports	Yes	Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Corrective action taken;

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



Dave Yost • Auditor of State

CITY OF BELLEVUE

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2015**