



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF BELLEVUE
HURON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Bellevue (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

We were unable to obtain sufficient evidential matter supporting amounts reported as fixed assets, accumulated depreciation, and depreciation expense in the Enterprise Fund Type.

In our opinion, except for the effects of such adjustments to the Enterprise Fund Type, if any, as might have been determined to be necessary had we been able to examine evidence regarding the fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Bellevue, Huron County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, during the year ended December 31, 2001, the City deleted a previously reported component unit from its financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the City taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

September 18, 2002

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**CITY OF BELLEVUE
HURON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,031,150	\$1,067,157	\$76,775	\$878,676
Cash and Cash Equivalents in Segregated Accounts	495	825,128		
Cash and Cash Equivalents with Fiscal Agents			2,220	
Receivables:				
Taxes	1,111,447	489,128		
Accounts Receivable	9,879	634		22,700
Accrued Interest Receivable	1,669			
Notes		1,008,163		
Materials and Supplies Inventory	7,943	22,050		
Due from Other Funds	1,570			
Due from Other Governments	69,616	124,251		
Prepaid Items	50,294	5,649		
Deferred Bond Costs				
Fixed Assets (net, where applicable, of accumulated depreciation)				
<u>Other Debits</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount Available in Debt Service Fund for Retirement of Special Assessment Debt				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$5,284,063	\$3,542,160	\$78,995	\$901,376

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,031,645	\$96,953 1,999			\$10,182,356 827,622 2,220
191,521				1,600,575 224,734 1,669
38,171				1,008,163 68,164 1,570
17,178 6,984				193,867 73,121 6,984
13,015,358		\$10,322,507		23,337,865
			\$50,978	50,978
			25,797	25,797
			2,238,051	2,238,051
\$17,300,857	\$98,952	\$10,322,507	\$2,314,826	\$39,843,736

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities, Fund Equity, and Other Credits				
<u>Liabilities</u>				
Accounts Payable	\$119,079	\$10,304		\$37,387
Accrued Wages Payable	22,252	1,199		
Compensated Absences Payable	91,793	20,797		
Due to Other Funds		1,570		
Due to Other Governments	104,948	22,261		
Deferred Revenue	890,821	573,808		
Undistributed Assets				
Matured Interest Payable			\$2,220	
Accrued Interest Payable				
Capital Leases Payable				
OWDA Loan Payable				
General Obligation Bonds Payable				
Mortgage Revenue Bonds Payable				
Special Assessment Debt Payable with Governmental Commitment				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	1,228,893	629,939	2,220	37,387
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved:				
Reserved for Encumbrances		149,651		21,759
Reserved for Inventory	7,943	22,050		
Reserved for Prepaid Items	50,294	5,649		
Reserved for Notes Receivable		1,008,163		
Reserved for Debt Service			76,775	
Reserved for Perpetual Care				
Unreserved	3,996,933	1,726,708		842,230
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity (Deficit) and Other Credits	4,055,170	2,912,221	76,775	863,989
Total Liabilities, Fund Equity, and Other Credits	<u>\$5,284,063</u>	<u>\$3,542,160</u>	<u>\$78,995</u>	<u>\$901,376</u>

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$60,572				\$227,342
4,623				28,074
467,131			\$395,425	975,146
				1,570
37,191				164,400
				1,464,629
	\$2,370			2,370
				2,220
13,590				13,590
			41,401	41,401
3,239,960				3,239,960
			1,875,000	1,875,000
55,000				55,000
			3,000	3,000
<u>3,878,067</u>	<u>2,370</u>		<u>2,314,826</u>	<u>8,093,702</u>
		\$10,322,507		10,322,507
687,843				687,843
12,734,947				12,734,947
				171,410
				29,993
				55,943
				1,008,163
				76,775
	60,000			60,000
	36,582			6,602,453
<u>13,422,790</u>	<u>96,582</u>	<u>10,322,507</u>		<u>31,750,034</u>
<u>\$17,300,857</u>	<u>\$98,952</u>	<u>\$10,322,507</u>	<u>\$2,314,826</u>	<u>\$39,843,736</u>

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues		
Municipal Income Taxes	\$3,335,887	
Property and Other Taxes	272,345	\$456,167
Charges for Services	100,333	172,440
Licenses and Permits	68,414	13,846
Fines and Forfeitures	72,263	45,275
Intergovernmental	696,040	1,059,553
Special Assessments		
Investment Income	468,807	90,271
Other	109,368	8,022
	5,123,457	1,845,574
Expenditures		
Current:		
General Government:		
Legislative and Executive	1,557,936	
Judicial	203,121	
Security of Persons and Property	1,792,188	390,278
Public Health and Welfare	188,589	78,057
Transportation		598,162
Community Environment	219,496	369,857
Leisure Time Activities		326,472
Capital Outlay		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
	3,961,330	1,762,826
Excess of Revenues Over (Under) Expenditures	1,162,127	82,748
Other Financing Sources (Uses)		
Inception of Capital Lease		
Operating Transfers - In		40,000
Operating Transfers - Out	(820,000)	
	(820,000)	40,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	342,127	122,748
Fund Balances at Beginning of Year	3,713,043	2,802,382
Residual Equity Transfer		
Decrease In Reserve for Inventory		(12,909)
Fund Balances at End of Year	\$4,055,170	\$2,912,221

See Accompanying Notes to the General-Purpose Financial Statements

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
			\$3,335,887
			728,512
	\$22,700		295,473
			82,260
	50,789		117,538
\$1,507			1,806,382
		\$180	1,507
	2,665		559,258
			120,055
<u>1,507</u>	<u>76,154</u>	<u>180</u>	<u>7,046,872</u>
			1,557,936
			203,121
			2,182,466
			266,646
			598,162
		212	589,565
			326,472
	462,260		462,260
66,000	22,408		88,408
105,097			105,097
<u>171,097</u>	<u>484,668</u>	<u>212</u>	<u>6,380,133</u>
<u>(169,590)</u>	<u>(408,514)</u>	<u>(32)</u>	<u>666,739</u>
	63,809		63,809
180,000	678,650		898,650
	(78,650)		(898,650)
<u>180,000</u>	<u>663,809</u>		<u>63,809</u>
10,410	255,295	(32)	730,548
25,795	649,264	27,245	7,217,729
40,570	(40,570)		
			(12,909)
<u>\$76,775</u>	<u>\$863,989</u>	<u>\$27,213</u>	<u>\$7,935,368</u>

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2001**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$3,077,050	\$3,336,189	\$259,139
Property and Other Taxes	238,280	267,674	29,394
Charges for Services	70,750	90,606	19,856
Licenses and Permits	59,260	68,394	9,134
Fines and Forfeitures	105,850	79,139	(26,711)
Intergovernmental	569,900	691,645	121,745
Special Assessments			
Investment Income	365,000	503,061	138,061
Other	32,750	109,039	76,289
Total Revenues	4,518,840	5,145,747	626,907
Expenditures			
Current:			
General Government:			
Legislative and Executive	2,259,323	1,628,188	631,135
Judicial	295,586	206,163	89,423
Security of Persons and Property	2,116,153	1,774,760	341,393
Public Health and Welfare	224,040	195,595	28,445
Transportation			
Community Environment	296,774	224,994	71,780
Leisure Time Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	5,191,876	4,029,700	1,162,176
Excess of Revenues Over (Under) Expenditures	(673,036)	1,116,047	1,789,083
Other Financing Sources and (Uses)			
Other Financing Sources			
Operating Transfers - In			
Operating Transfers - Out	(1,393,431)	(820,000)	573,431
Total Other Financing Sources (Uses)	(1,393,431)	(820,000)	573,431
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,066,467)	296,047	2,362,514
Fund Balances at Beginning of Year	3,211,844	3,211,844	
Residual Equity Transfer			
Prior Year Encumbrances Appropriated	317,112	317,112	
Fund Balances at End of Year	\$1,462,489	\$3,825,003	\$2,362,514

Special Revenue Funds			Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$404,818	\$444,101	\$39,283			
\$163,300	\$185,862	\$22,562			
1,500	13,846	12,346			
30,750	35,403	4,653			
669,032	1,040,878	371,846			
			\$1,810	\$1,507	(\$303)
90,632	90,271	(361)			
8,500	8,022	(478)			
<u>1,368,532</u>	<u>1,818,383</u>	<u>449,851</u>	<u>1,810</u>	<u>1,507</u>	<u>(303)</u>
			2,510		2,510
541,949	446,991	94,958			
102,982	78,363	24,619			
790,883	648,117	142,766			
888,775	887,885	890			
414,193	327,696	86,497			
			66,000	66,000	
			<u>105,292</u>	<u>105,097</u>	<u>195</u>
<u>2,738,782</u>	<u>2,389,052</u>	<u>349,730</u>	<u>173,802</u>	<u>171,097</u>	<u>2,705</u>
<u>(1,370,250)</u>	<u>(570,669)</u>	<u>799,581</u>	<u>(171,992)</u>	<u>(169,590)</u>	<u>2,402</u>
202,251	202,251				
526,000	40,000	(486,000)	180,000	180,000	
<u>728,251</u>	<u>242,251</u>	<u>(486,000)</u>	<u>180,000</u>	<u>180,000</u>	
(641,999)	(328,418)	313,581	8,008	10,410	2,402
1,506,631	1,506,631		25,796	25,796	
			40,570	40,570	
<u>555,687</u>	<u>555,687</u>				
<u>\$1,420,319</u>	<u>\$1,733,900</u>	<u>\$313,581</u>	<u>\$74,374</u>	<u>\$76,776</u>	<u>\$2,402</u>

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2001
(Continued)**

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax			
Property and Other Taxes			
Charges for Services			
Licenses and Permits			
Fines and Forfeitures			
Intergovernmental	\$42,000	\$50,789	\$8,789
Special Assessments			
Investment Income			
Other	3,000	3,317	317
Total Revenues	45,000	54,106	9,106
Expenditures			
Current:			
General Government:			
Legislative and Executive			
Judicial			
Security of Persons and Property			
Public Health and Welfare			
Transportation			
Community Environment			
Leisure Time Activities			
Capital Outlay	820,084	442,618	377,466
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	820,084	442,618	377,466
Excess of Revenues Over (Under) Expenditures	(775,084)	(388,512)	386,572
Other Financing Sources and (Uses)			
Other Financing Sources			
Operating Transfers - In	698,650	678,650	(20,000)
Operating Transfers - Out	(78,650)	(78,650)	
Total Other Financing Sources (Uses)	620,000	600,000	(20,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(155,084)	211,488	366,572
Fund Balances at Beginning of Year	586,525	586,525	
Residual Equity Transfer	(40,570)	(40,570)	
Prior Year Encumbrances Appropriated	62,087	62,087	
Fund Balances at End of Year	\$452,958	\$819,530	\$366,572

See Accompanying Notes to the General-Purpose Financial Statements

Expendable Trust Fund			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$3,077,050	\$3,336,189	\$259,139
			643,098	711,775	68,677
			234,050	276,468	42,418
			60,760	82,240	21,480
			136,600	114,542	(22,058)
			1,280,932	1,783,312	502,380
			1,810	1,507	(303)
\$1,045	\$180	(\$865)	456,677	593,512	136,835
			44,250	120,378	76,128
<u>1,045</u>	<u>180</u>	<u>(865)</u>	<u>5,935,227</u>	<u>7,019,923</u>	<u>1,084,696</u>
			2,261,833	1,628,188	633,645
			295,586	206,163	89,423
			2,658,102	2,221,751	436,351
			327,022	273,958	53,064
			790,883	648,117	142,766
425	212	213	1,185,974	1,113,091	72,883
			414,193	327,696	86,497
			820,084	442,618	377,466
			66,000	66,000	
			105,292	105,097	195
<u>425</u>	<u>212</u>	<u>213</u>	<u>8,924,969</u>	<u>7,032,679</u>	<u>1,892,290</u>
<u>620</u>	<u>(32)</u>	<u>(652)</u>	<u>(2,989,742)</u>	<u>(12,756)</u>	<u>2,976,986</u>
			202,251	202,251	
			1,404,650	898,650	(506,000)
			<u>(1,472,081)</u>	<u>(898,650)</u>	<u>573,431</u>
			134,820	202,251	67,431
620	(32)	(652)	(2,854,922)	189,495	3,044,417
27,245	27,245		5,358,041	5,358,041	
			934,886	934,886	
<u>\$27,865</u>	<u>\$27,213</u>	<u>(\$652)</u>	<u>\$3,438,005</u>	<u>\$6,482,422</u>	<u>\$3,044,417</u>

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues			
Charges for Services	\$3,379,725		\$3,379,725
Interest Income		\$1,375	1,375
Other Operating Revenues	7,125		7,125
Total Operating Revenues	<u>3,386,850</u>	<u>1,375</u>	<u>3,388,225</u>
Operating Expenses			
Personal Services	1,127,329		1,127,329
Contractual Services	669,297		669,297
Materials and Supplies	426,245		426,245
Depreciation	756,235		756,235
Other Operating Expenses	1,128		1,128
Total Operating Expenses	<u>2,980,234</u>		<u>2,980,234</u>
Operating Income	<u>406,616</u>	<u>1,375</u>	<u>407,991</u>
Non-Operating Revenues and (Expenses)			
Tap-In Fees	23,547		23,547
Interest and Fiscal Charges	(196,153)		(196,153)
Total Non-Operating Revenues (Expenses)	<u>(172,606)</u>		<u>(172,606)</u>
Net Income	234,010	1,375	235,385
Depreciation on Fixed Assets Acquired by Contributed Capital	43,818		43,818
Retained Earnings/Fund Balance at Beginning of Year	<u>12,457,119</u>	<u>67,994</u>	<u>12,525,113</u>
Retained Earnings/Fund Balance at End of Year	12,734,947	69,369	12,804,316
Contributed Capital at Beginning of Year	731,661		731,661
Depreciation on Fixed Assets Acquired by Contributed Capital	(43,818)		(43,818)
Contributed Capital at End of Year	<u>687,843</u>		<u>687,843</u>
Total Fund Equity at End of Year	<u>\$13,422,790</u>	<u>\$69,369</u>	<u>\$13,492,159</u>

See Accompanying Notes to the General-Purpose Financial Statements

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received for Services	\$3,387,962		\$3,387,962
Cash Paid to Employees	(1,102,457)		(1,102,457)
Cash Paid to Suppliers and Services	(1,026,302)		(1,026,302)
Interest on Investments		\$1,375	1,375
Net Cash Provided by (Used for) Operating Activities	<u>1,259,203</u>	<u>1,375</u>	<u>1,260,578</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid Debt	(261,877)		(261,877)
Interest Paid on Debt	(168,597)		(168,597)
Acquisition of Fixed Assets	(132,805)		(132,805)
Net Cash Used for Capital and Related Financing Activities	<u>(563,279)</u>		<u>(563,279)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Tap-In Fees	<u>23,547</u>		<u>23,547</u>
Net Decrease in Cash and Cash Equivalents	719,471	1,375	720,846
Cash and Cash Equivalents at Beginning of Year	<u>3,312,174</u>	<u>67,994</u>	<u>3,380,168</u>
Cash and Cash Equivalents at End of Year	<u><u>\$4,031,645</u></u>	<u><u>\$69,369</u></u>	<u><u>\$4,101,014</u></u>
Reconciliation of cash and cash equivalents of Fiduciary Funds to Balance Sheet:			
Per Balance Sheet		\$98,952	
Less : Expendable Trust Fund		(27,213)	
Agency Funds		<u>(2,370)</u>	
Per Nonexpendable Trust Fund Above		<u><u>\$69,369</u></u>	

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2001
(Continued)**

	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating Income	\$406,616	\$1,375	\$407,991
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities			
Depreciation expense	756,235		756,235
Changes in Assets and Liabilities:			
(Increase (Decrease) in Inventories	48,324		48,324
Net Increase (Decrease) in Accounts Receivable	1,112		1,112
(Increase) Decrease in Prepaid Items	(174)		(174)
Increase (Decrease) in Accounts Payable	57,602		57,602
Increase (Decrease) in Accrued Wages and Benefits	(28,470)		(28,470)
Increase (Decrease) in Compensated Absences	49,284		49,284
Increase (Decrease) in Pension Obligation Payable	(22,024)		(22,024)
Increase (Decrease) in Due to Other Governments	17,795		17,795
Increase in Accounts Payable from Fixed Asset Purchases	(27,097)		(27,097)
	\$1,259,203	\$1,375	\$1,260,578

See Accompanying Notes to the General-Purpose Financial Statements

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF THE ENTITY

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

This report includes all the fund account groups of the City. It includes all activities considered by management to be part of the City by virtue of Section 2100 of the Governmental Accounting Standards Board.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the entity. The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending). The City has no component units.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

The City has included in its Special Revenue Fund Type the assets and operations of the City's revolving loan program which is administered by the Bellevue Development Corporation, a nonprofit corporation. The City has not included the City of Bellevue School District, as it has no control over the entity's operations.

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 City is associated with an insurance pool, the Ohio Rural Water Association Workers' Compensation Group Rating Plan. This organization is presented in Note 19 to the combined financial statements.

B. FUND ACCOUNTING

The City uses funds and account groups 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in another fund.

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. Goods or services from such activities can be provided from outside parties (enterprise funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a nonexpendable or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

All proprietary fund and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund types and nonexpendable trust fund.

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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants and entitlements. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants and entitlements 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 or 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, intergovernmental revenues and charges for services.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All governmental fund types are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of Council.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The 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 statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

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 between departments and objects within a fund may be modified during the year by a resolution of Council. Several supplemental appropriation resolutions were legally enacted by Council during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

Encumbrances:

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

Lapsing of Appropriations:

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

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

E. CASH AND INVESTMENTS

Cash received by the City is deposited into several bank accounts. Monies for all funds, including enterprise funds, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. During 2001, investments were limited to certificates of deposit, money market accounts, passbook accounts and Star Ohio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

During the year, all investment earnings were credited to the general fund, special revenue funds, expendable trust funds, and nonexpendable trust funds. Interest revenue credited to the General fund during 2001 was \$468,807 which includes \$266,980 assigned from other City funds.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAR Ohio) during the fiscal year 2001. 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, 2001.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

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

The City utilizes a financial institution to service bonded debt as principal and interest come due. The balances of these accounts are presented on the combined balance sheet as "Cash with Fiscal and Escrow Agents" and represent deposits or short-term investments in certificates of deposit.

F. INVENTORIES

Inventories are valued at the lower of cost (first in, first out) or market. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the enterprise funds when used. Recorded inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

G. PREPAID ITEMS AND DEFERRALS

Prepayments and deferrals for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period end, because prepayment and deferrals

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

are not available to finance future governmental fund expenditure, the funds balance is reserved by an amount equal to the carry value of the asset.

H. NOTES RECEIVABLE

Notes receivable represent the right to receive repayment for certain loans made by the City. The loans are based upon written agreements between the City and the various loan recipients.

I. FIXED ASSETS

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Depreciation is not provided for the general fixed assets account group. Fixed assets associated with the enterprise funds' activities are accounted for in those funds. Depreciation is calculated using the straight line method over the assets' estimated useful lives. Depreciation expense on assets constructed or acquired through capital grants is closed to contributed capital. The assets of the enterprise funds are depreciated over the following estimated useful lives:

Buildings	20 years
Equipment	5-20 years
Vehicles	3-5 years
Infrastructure	80 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. The amount of capitalized interest was immaterial for 2001.

J. COMPENSATED ABSENCES

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

K. LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Fund balances are reserved for encumbrances, debt service, inventory, prepaid items, perpetual care and notes receivable.

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group would always be reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the effective interest method. Any material discounts or premiums are shown as additions to or deductions from the account of the bond liability, are amortized using the effective interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Equity.

O. STATEMENT OF CASH FLOWS

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The City has presented as Exhibit V a statement of cash flows for its enterprise funds and nonexpendable trust funds. For purposes of the

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

statement of cash flows, the City considers cash and cash equivalents to include "Equity in Pooled Cash".

P. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES

The City's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This Statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. ESTIMATES

The preparation of these financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditure/expenses during the reporting period. Actual results could differ from those estimates.

R. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 -- EQUITY IN POOLED CASH AND CASH EQUIVALENTS

State statutes classify monies 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 two 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.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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

1. United State Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United State;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days.

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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

Deposits: At year-end, the carrying amount of the City's deposits was \$7,372,921 and the bank balance was \$7,866,540. \$343,789 of the bank balance was covered by federal depository insurance. \$7,522,751 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments: GASB Statement No. 3 requires the City to categorize investments to give an indication of the level of risk assumed by the City at year-end.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the City or its agent in the city's name. Category B includes uninsured and unregistered investments for which the securities are held by the Trust department or agent in the City's name. Category C includes uninsured and unregistered investments for which securities are held by the Trust department but not in the City's name. The carrying value of deposits and investments are presented in the combined balance sheet as "Equity in Pooled Cash," "Cash and Cash Equivalents in Segregated Accounts", and "Cash with Fiscal and Escrow Agents." STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

		Carrying Amount	Fair Value
Treasury Investment	Category A	\$4,000	\$4,000
STAR Ohio	Not Categorized	3,634,782	3,634,782
Total Investments		\$3,638,782	\$3,638,782

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

The reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No.3 is as follows:

	City Treasurer	Investments
GASB Statement 9	\$11,012,198	
Cash On Hand	(495)	
Treasury Investment	(4,000)	4,000
STAR Ohio	(3,634,782)	3,634,782
GASB Statement 3	\$7,372,921	\$3,638,782

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 3 -- LOCAL INCOME TAXES

The City levies an income tax of one and a half percent which is applied to residents' gross salaries, wages and other personal service compensation earned both inside and outside of the City and to earnings of non residents (except certain transients) earned within the City. The tax also applies to net income of business organizations conducted within the City. Tax receipts are credited to the City and amounted to \$3,335,887 in 2001.

NOTE 4 -- PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50 percent of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made.

The assessed value upon which the taxes were collected was \$147,994,550. The full tax rate for all City operations applied to real property for fiscal year ended December 31, 2001 was \$6.10 per \$1,000 of assessed valuation.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.08 for Huron County and \$4.27 for Sandusky County per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$4.92 for Huron County and \$5.86 for Sandusky County per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

	<u>Sandusky County</u>	<u>Huron County</u>
Real Property - 2000 Valuation:		
Residential/Agricultural	\$45,917,940	\$32,983,940
Public Utilities	9,930	382,550
Commercial/Industrial	<u>7,911,210</u>	<u>12,107,140</u>
Total Real Property	<u>53,839,080</u>	<u>45,473,630</u>
Tangible Personal Property - 2001 Valuation:		
General	11,193,280	31,640,090
Public Utilities	<u>2,048,420</u>	<u>3,800,050</u>
Total Personal Property	<u>13,241,700</u>	<u>35,440,140</u>
Total Assessed Valuation	<u><u>\$67,080,780</u></u>	<u><u>\$80,913,770</u></u>

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

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 5 -- RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services) and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full, including accounts receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the receivables follows:

<u>General Fund:</u>	
Accrued Property Taxes:	
Current	\$279,655
Delinquent	5,826
Accrued City Income Taxes	825,966
Total Taxes Receivable	1,111,447
Accounts Receivable	9,879
Accrued Interest Receivable	1,669
Due from Other Fund:	
Hotel-Motel Tax Fund	1,570
Total Due from Other Fund	1,570
Due from Other Governments:	
State Local Government Taxes	35,692
County Local Government Taxes	4,395
Municipal Court	4,629
Homestead and Rollback	24,900
Total Due from Other Governments	69,616
Total General Fund	\$1,194,181

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

<u>Special Revenue Funds:</u>	
Accrued Property Taxes:	
Current	\$476,895
Delinquent	9,092
Hotel-Motel Taxes	<u>3,141</u>
Total Taxes Receivable	489,128
Notes Receivable	1,008,163
Accounts Receivable	634
Due from Other Governments:	
Homestead and Rollback	16,643
Municipal Court	5,690
State Gasoline Taxes	81,846
State Motor Vehicle License Tax	<u>20,072</u>
Total Due from Other Governments	<u>124,251</u>
Total Special Revenue Funds	<u><u>\$1,622,176</u></u>
<u>Capital Projects Funds:</u>	
Fire Contracts	<u><u>\$22,700</u></u>
<u>Enterprise Funds:</u>	
Water Accounts Receivable:	
Billed	\$18,109
Unbilled	<u>58,856</u>
Total Water Accounts Receivable	76,965
Sewer Accounts Receivable	
Billed	30,034
Unbilled	<u>84,522</u>
Total Sewer Accounts Receivable	<u>114,556</u>
Total Enterprise Funds	<u><u>\$191,521</u></u>
Total Receivables	<u><u>\$3,030,578</u></u>

NOTE 6 -- INTERFUND ASSETS/LIABILITIES

At December 31, 2001, the General fund and the Hotel-Motel special revenue fund had receivables and payables that resulted from various interfund transactions, in the amount of \$1,507.

NOTE 7 -- FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

	Balance 1/1/2001	Additions	Retirements	Balance 12/31/2001
Land	\$712,894	\$6,800		\$719,694
Buildings	5,380,520			5,380,520
Land Improvements	97,746			97,746
Vehicles	2,221,436	63,809		2,285,245
Machinery and Equipment	1,676,541	162,761		1,839,302
Total Assets	\$10,089,137	\$233,370		\$10,322,507

The following is a summary of proprietary fund type fixed assets at December 31, 2001:

<u>ENTERPRISE</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Land	\$3,474,890	\$58,060	\$3,532,950
Buildings	2,919,860	6,421,868	9,341,728
Buildings Contributed	741,783		741,783
Vehicles	135,132	93,632	228,764
Machinery and Equipment	1,229,925	2,406,236	3,636,161
Machinery and Equipment Contributed	180,250	20,521	200,771
Infrastructure	4,562,676	2,565,675	7,128,351
Infrastructure Contributed	237,770	177,957	415,727
Total Fixed Assets	13,482,286	11,743,949	25,226,235
Less: Accumulated Depreciation	(5,693,894)	(6,516,983)	(12,210,877)
Net Fixed Assets	\$7,788,392	\$5,226,966	\$13,015,358

NOTE 8 -- DEBT OBLIGATIONS

	Restated Balance 1/1/2001	Additions	Retirements	Balance 12/31/2001
General Long-Term Debt:				
S.A. Street Improvement (West Main Street) 4.85% Issued 09/01/84	\$4,000		\$1,000	\$3,000
Municipal Building Bonds 3.9% to 5.8% Issued 1999	1,940,000		65,000	1,875,000
Compensated Absences	480,126	\$395,425	480,126	395,425
Pension Obligations	92,493		92,493	
Capital Leases		63,809	22,408	41,401
Total General Long-Term Debt	2,516,619	459,234	661,027	2,314,826

(Continued)

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

<u>General Long-Term Debt:</u>	Restated Balance 1/1/2001	Additions	Retirements	Balance 12/31/2001
<u>Enterprise Debt:</u>				
O.W.D.A. Loan	3,446,837		206,877	3,239,960
Sewer System Refunding and Imp. Mortgage Revenue, 2.65-4%, 10/14/93	110,000		55,000	55,000
Total Enterprise Debt	<u>3,556,837</u>		<u>261,877</u>	<u>3,294,960</u>
Total Debt	<u>\$6,073,456</u>	<u>\$459,234</u>	<u>\$922,904</u>	<u>\$5,609,786</u>

General obligation bonds consist of a new municipal building issue and water and sewer issues. General obligation bonds are direct obligations of the City of Bellevue for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

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

Outstanding OWDA loan consist of a loan agreement between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loan will be paid from resources of the Sewer enterprise fund.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2001, including total interest payments of \$2,167,566 are as follows:

Year Ending December 31	General Obligation Bonds	Mortgage Revenue Bonds	OWDA Loan	Special Assessment Bonds
2002	\$166,829	\$57,530	\$369,897	\$1,304
2003	168,969		369,897	1,203
2004	170,819		369,897	1,101
2005	167,350		369,897	
2006	168,825		369,897	
2007-2011	840,465		1,849,480	
2012-2016	838,960		554,846	
2017-2019	503,360			
Total Principal and Interest	3,025,577	57,530	4,253,811	3,608
Less: Interest Expense	<u>1,150,577</u>	<u>2,530</u>	<u>1,013,851</u>	<u>608</u>
Total Principal	<u>\$1,875,000</u>	<u>\$55,000</u>	<u>\$3,239,960</u>	<u>\$3,000</u>

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 9 – CONDUIT DEBT

To provide for the acquisition, construction, renovation, and equipping of various improvements at the Bellevue Hospital, the City has issued two series of Hospital Revenue Bonds. These bonds are special limited obligations of the City, payable solely from rental payments made by the Hospital under a sublease agreement. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. As of December 31, 2001, Hospital Revenue Bonds outstanding aggregated \$4,405,000.

NOTE 10 - CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of three police cars. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2001:

Fiscal Year Ending December 31	General Long-Term Debt
2002	\$22,407
2003	22,408
Total minimum lease payments	44,815
Less: Amount Representing Interest	3,414
Present Value of Future Minimum Lease Payments	\$41,401

NOTE 11 -- PENSION AND RETIREMENT PLANS

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

Public Employees Retirement System (PERS) - The Public Employees Retirement System (PERS) of Ohio is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The employers' contribution rate was 13.55 percent of covered payroll; 9.25 percent was the portion used to fund pension obligations for 2001. The City's required contributions to PERS for the years ended December 31, 2001, 2000,

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

and 1999 were \$287,948, \$231,691, and \$278,933, respectively. The full amount has been contributed for 2000 and 1999. 71.7 percent has been contributed for 2001 with the remainder being reported as an expenditure to the individual funds that incurred the costs.

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. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's required contributions to OP&F for the years ending December 31, 2001, 2000 and 1999 were \$214,737, \$184,596, and \$177,706, respectively. The full amount has been contributed for 2000 and 1999. 73.9 percent has been contributed for 2001 with the remainder being reported as an expenditure to the individual funds that incurred the costs.

NOTE 12 -- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Public Employees Retirement System--Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS. The city's contribution to fund post employment benefits was \$101,638.

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, the latest information available, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

OPEB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$101,638. The actuarial value of

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarially accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

Ohio Police and Fire Pension Fund (OP&F)

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25 percent and 7.5 percent of covered payroll in 2000 and 2001. The allocation is 7.75 percent in 2002. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation is 12,853 for police and 10,037 for firefighters. The City's actual contributions for 2001 that were used to fund postemployment benefits were \$44,251 for police and \$26,993 for fire. OP&F's total health care expense for the year ending December 31, 2000, the date of the last actuarial valuation, was \$106,160,054 which was net of member contributions of \$5,657,431.

NOTE 13 -- COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at ninety percent, provided the total accrued and unused sick leave hours does not fall below a certain minimum hours specified in the union contract. Employees who have one year of service are entitled to receive pay for all accrued but unused sick leave upon resignation at ninety percent of the value or upon retirement at one hundred percent of the value. At December 31, 2001, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations approximated \$803,743.

A liability has been recognized in the accompanying financial statements for sick leave for employees who have one year of service at 90 percent of the current value of the sick leave balances except for those with years of service making them eligible for retirement for which 100 percent of the current value of the sick leave balances has been used.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

A liability for accrued vacation for \$171,403 has been recognized. City employees earn vacation at varying rates depending on 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 14 -- SEGMENT INFORMATION - ENTERPRISE FUNDS

The City's enterprise fund type consists of two individual funds that provide water and treatment of sewage services. The key financial information for the year ended December 31, 2001 for these enterprise activities is as follows:

	Water	Sewer	Total
Operating Revenue	\$1,740,237	\$1,646,613	\$3,386,850
Operating Expenses	1,541,509	1,438,725	2,980,234
Depreciation	300,252	455,983	756,235
Operating Income	198,728	207,888	406,616
Interest and Fiscal Charges		(196,153)	(196,153)
Net Income (Loss)	218,915	15,095	234,010
Fixed Assets	7,788,392	5,226,966	13,015,358
Asset Additions	61,872	70,933	132,805
Total Assets	10,869,010	6,431,847	17,300,857
Net Working Capital	2,686,651	1,134,824	3,821,475
Long-Term Debt		3,294,960	3,294,960
Net Cash Flow	545,144	174,327	719,471
Contributed Capital	582,370	105,473	687,843
Total Equity	10,475,043	2,947,747	13,422,790

NOTE 15 -- CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 16 -- BELLEVUE DEVELOPMENT CORPORATION

The Bellevue Development Corporation (BDC) is a nonprofit organization whose primary efforts are to attract out-of area companies to the City of Bellevue to increase the number of firms and employees working within the City. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. As part of its normal operation, the BDC administers City's revolving loan program and loans money for the purchase or improvement of industrial sites. The following notes receivable

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2001 were as follows:

Erie Industries	5%	Matures 2003	\$3,926
Erie Industries	5%	Matures 2002	13,357
Autoplas, Inc.	5%	Matures 2004	100,530
KMH Properties	5%	Matures 2005	117,789
Windsor Mold Ohio, Inc.	5%	Matures 2005	237,016
Woodard Photographic	5%	Matures 2005	91,442
Precision	5%	Matures 2011	444,103
Total Notes Receivable			\$1,008,163

NOTE 17--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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances, Budget and Actual, All Governmental Fund Types 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) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (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:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
<u>Budget Basis</u>	\$296,047	(\$328,418)	\$10,410	\$211,488	(\$32)
Adjustments:					
Revenue Accruals	(22,290)	(175,060)		85,857	
Expenditure Accruals	(137,779)	467,841		(101,196)	
Encumbrances	206,149	158,385		59,146	
<u>GAAP Basis</u>	\$342,127	\$122,748	\$10,410	\$255,295	(\$32)

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 18 -- RISK MANAGEMENT

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 2000, the City contracted through Cincinnati Insurance Company for property, fleet, crime and liability insurance.

Coverage provided is as follows:

	<u>Per Occurrence</u>	<u>Annual Aggregate</u>
Building and Contents – Replacement Cost		\$30,196,820
Employee Liability	\$1,000,000 per Occurrence	\$1,000,000
Law Enforcement		\$1,000,000
Automobile	\$250 Deductible Comprehensive \$500 Deductible Collision	\$1,000,000 \$1,000,000
Inland Marine	\$250 Deductible	\$609,843
Boiler and Machinery	\$250 Deductible	Various
Electronic Data Processing	\$250 Deductible	\$153,215
Police Liability	\$2,500 Deductible	\$500,000

Real Property and contents are 90 percent coinsured. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in reduction in insurance coverage from last year. Employee health insurance is also provided through a private carrier.

NOTE 19 – INSURANCE POOL

Ohio Rural Water Association Workers’ Compensation Group Rating Plan

The City participates in a group rating plan for workers’ compensation as established under Section 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.

NOTE 20 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

Changes in Accounting Principles for fiscal year 2001, the City has implemented GASB Statement Number 33, “Accounting and Financial Reporting for Nonexchange Transactions,” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues.” The implementation of GASB Statements No. 33 and 36 did not result in any prior period balance adjustments.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

NOTE 21 -- PRIOR PERIOD ADJUSTMENTS

In 2000, the City for the first time began recognizing the Bellevue Development Corporation (BDC) as a component unit and added the operations as a special revenue fund. During 2001, it was determined that the City cannot impose its will on the Bellevue Development Corporation and should not be recognized. The BDC's fund balance at December 31, 2000 totaled \$318,782 and was adjusted from the Special Revenue Fund Type beginning balance. Also, the BDC had an outstanding note at December 31, 2000 in the amount of \$250,000. The General Long Term Debt Account Group beginning balance was restated by eliminating the \$250,000 note from the City's financial statements. The following are prior year's adjustments to the Special Revenue Fund Type and the General Long Term Debt Account Group:

December 31, 2000 Special Revenue Fund Balance	\$3,121,164
Operating Fund of Bellevue Development Corporation	<u>(318,782)</u>
Restated Special Revenue Fund Balance, January 1, 2001	<u><u>\$2,802,382</u></u>
December 31, 2000 General Long Term Debt Account Group	\$2,766,619
Bellevue Development Corporation	<u>(250,000)</u>
Restated General Long Term Debt Account Group, January 1, 2001	<u><u>\$2,516,619</u></u>

NOTE 22 -- RESIDUAL EQUITY TRANSFER

At the beginning of this year, the balance of \$ 40,570 in the City Building Improvement fund was transferred to the Municipal Building Bond Retirement Fund as improvements to the new city building were completed. The Ohio Revised Code allows any balance left in a construction fund to be transferred to a debt service fund if there is a debt balance. General Obligation Municipal Building Bonds are still outstanding in the amount of \$1,875,000.

**CITY OF BELLEVUE
HURON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED December 31, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - Small Cities Program	A-E-99-094-1	14.228	<u>\$335,832</u>

The accompanying notes are an integral part of this schedule.

**CITY OF BELLEVUE
HURON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create and retain jobs for persons from low-moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by land, machinery, and equipment purchased through loan monies. At December 31, 2001, the gross amount of loans outstanding under this program was \$1,008,163. There are no delinquent amounts due.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the City Council:

We have audited the financial statements of the City of Bellevue (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated September 18, 2002, which was qualified due to our inability to obtain sufficient evidential matter supporting fixed assets, accumulated depreciation, and depreciation expense of the Enterprise Fund Type, and which noted that the City deleted a previously reported component unit from its financial statements. Except with regards to the fixed assets, accumulated depreciation, and depreciation expense of the Enterprise Fund Type, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-20539-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition mentioned above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized and cursive.

Jim Petro
Auditor of State

September 18, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the City Council:

Compliance

We have audited the compliance of the City of Bellevue (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated September 18, 2002.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 18, 2002

**CITY OF BELLEVUE
HURON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CDBG (CFDA #14.228)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2001-20539-001

Material Weakness - Fixed Assets

The City does not maintain an adequate detailed fixed asset listing for enterprise fixed assets. Also, depreciation expense was calculated by major class of assets rather than by individual assets. The failure to maintain an accurate fixed asset listing and calculate depreciation by individual assets did not enable auditors to obtain sufficient evidential matter regarding the amounts reported in Enterprise Funds for fixed assets, accumulated depreciation, or depreciation expense. This situation could increase the risk that fixed assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

**FINDING NUMBER 2001-20539-001
(Continued)**

The City should have a formal policy in place to track additions and deletions and to maintain an up-to-date fixed asset listing for all funds. The fixed asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location and purchase date. The fixed asset system should also assign each asset to a functional category so that the City can allocate depreciation expense to proper functions when the City adopts Governmental Accounting Standard No. 34. The fixed asset procedures should include documents for the addition and deletion of fixed assets with approval signatures of the responsible officials and a procedure to report this information to the City Auditor. The policy should also require depreciation to be calculated by individual items.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



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CITY OF BELLEVUE

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 10, 2002**