



**Auditor of State  
Betty Montgomery**



CITY OF BELLEVUE  
HURON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Bellevue (the City) as of and for the year ended December 31, 2002, 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 in the General Fixed Assets Account Group, or the 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 and General Fixed Assets Account Group, 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2003 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 6, 2003

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**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets</b>				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 4,240,524	\$ 1,004,038	\$ 26,887	\$ 812,168
Cash and Cash Equivalents in Segregated Accounts	495	1,044,019		
Cash with Fiscal and Escrow Agents			714	
Taxes Receivable	1,076,643	443,880		
Accounts Receivable	6,755	236		
Notes Receivable		890,971		
Materials and Supplies Inventory	7,943	36,182		
Due From Other Funds	2,471			
Due From Other Governments	299,770	184,319		
Prepaid Items	7,208			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits</b>				
Amount Available in Debt Service Fund:				
For General Obligation Bonds				
For Special Assessment Bonds				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	<b>\$ 5,641,809</b>	<b>\$ 3,603,645</b>	<b>\$ 27,601</b>	<b>\$ 812,168</b>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-term Obligations	
Enterprise	Trust and Agency			
\$ 4,834,691	\$ 97,842			\$ 11,016,150
5,766	1,054			1,051,334
				714
				1,520,523
507,401	660			515,052
				890,971
88,020				132,145
				2,471
				484,089
				7,208
12,633,388		\$ 10,682,646		23,316,034
			\$ 24,887	24,887
			2,000	2,000
			2,245,355	2,245,355
<b>\$ 18,069,266</b>	<b>\$ 99,556</b>	<b>\$ 10,682,646</b>	<b>\$ 2,272,242</b>	<b>\$ 41,208,933</b>

(Continued)

**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2002  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 54,112	\$ 18,861		
Accrued Wages and Benefits	32,370	3,247		
Compensated Absences Payable	74,659	28,300		
Due to Other Funds		2,471		
Due to Other Governments	110,509	22,640		
Deferred Revenue	1,080,146	594,495		
Undistributed Monies				
Matured Interest Payable			\$ 714	
Capital Leases Payable				
OWDA Loans Payable				
General Obligation Bonds Payable				
Special Assessment Debt with Governmental Commitment				
Total Liabilities	1,351,796	670,014	714	
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	69,339	119,710		\$ 14,500
Reserved for Inventory	7,943	36,182		
Reserved for Prepaid Items	7,208			
Reserved for Notes Receivable		890,971		
Reserved for Perpetual Care Unreserved	4,205,523	1,886,768	26,887	797,668
Total Fund Equity and Other Credits	4,290,013	2,933,631	26,887	812,168
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 5,641,809</b>	<b>\$ 3,603,645</b>	<b>\$ 27,601</b>	<b>\$ 812,168</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-term Obligations	
Enterprise	Trust and Agency			
\$ 75,136				\$ 148,109
5,080				40,697
465,614			\$ 438,992	1,007,565
				2,471
41,046				174,195
				1,674,641
5,766	\$ 3,174			8,940
				714
			21,250	21,250
2,942,822				2,942,822
			1,810,000	1,810,000
			2,000	2,000
<u>3,535,464</u>	<u>3,174</u>		<u>2,272,242</u>	<u>7,833,404</u>
		\$ 10,682,646		10,682,646
662,911				662,911
13,870,891				13,870,891
				203,549
				44,125
				7,208
				890,971
	60,000			60,000
	36,382			6,953,228
<u>14,533,802</u>	<u>96,382</u>	<u>10,682,646</u>		<u>33,375,529</u>
<u>\$ 18,069,266</u>	<u>\$ 99,556</u>	<u>\$ 10,682,646</u>	<u>\$ 2,272,242</u>	<u>\$ 41,208,933</u>

**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Fund  
For the Year Ended December 31, 2002**

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues</b>		
Municipal Income Taxes	\$ 3,263,059	
Property and Other Taxes	300,348	\$ 450,879
Charges for Services	46,132	147,231
Licenses and Permits	49,626	1,576
Fines and Forfeitures	102,210	22,232
Intergovernmental	597,064	347,869
Special Assessments		
Investment Income	264,610	79,236
Other	30,850	43,322
	<u>4,653,899</u>	<u>1,092,345</u>
<b>Expenditures</b>		
Current:		
General Government:		
Legislative and Executive	1,283,372	
Judicial	203,630	1,000
Security of Persons and Property	1,679,695	503,946
Public Health and Welfare	232,068	89,130
Transportation		886,087
Community Environment	142,560	35,844
Leisure Time Activities		330,941
Capital Outlay		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
	<u>3,541,325</u>	<u>1,846,948</u>
Total Expenditures		
	<u>3,541,325</u>	<u>1,846,948</u>
Excess of Revenues Over (Under) Expenditures	<u>1,112,574</u>	<u>(754,603)</u>
<b>Other Financing Sources (Uses)</b>		
Operating Transfers - In		761,881
Operating Transfers - Out	(877,731)	
	<u>(877,731)</u>	<u>761,881</u>
Total Other Financing Sources (Uses)		
	<u>(877,731)</u>	<u>761,881</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	234,843	7,278
Fund Balances at Beginning of Year	4,055,170	2,912,221
Increase in Reserve for Inventory		14,132
<b>Fund Balances at End of Year</b>	<u>\$ 4,290,013</u>	<u>\$ 2,933,631</u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<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>	
			\$ 3,263,059
			751,227
	\$ 33,100		226,463
			51,202
			124,442
			944,933
\$ 1,091			1,091
			343,846
			74,172
<u>1,091</u>	<u>33,100</u>		<u>5,780,435</u>
			1,283,372
			204,630
			2,183,641
		\$ 200	321,398
			886,087
			178,404
			330,941
	61,514		61,514
65,000	21,151		86,151
101,829	2,256		104,085
<u>166,829</u>	<u>84,921</u>	<u>200</u>	<u>5,640,223</u>
<u>(165,738)</u>	<u>(51,821)</u>	<u>(200)</u>	<u>140,212</u>
115,850			877,731
			(877,731)
<u>115,850</u>			
(49,888)	(51,821)	(200)	140,212
76,775	863,989	27,213	7,935,368
			14,132
<u>\$ 26,887</u>	<u>\$ 812,168</u>	<u>\$ 27,013</u>	<u>\$ 8,089,712</u>

**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types and Expendable Trust Fund  
For the Year Ended December 31, 2002**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Taxes	\$ 2,685,000	\$ 3,304,086	\$ 619,086
Property and Other Taxes	300,000	302,302	2,302
Charges for Services	59,000	54,895	(4,105)
Licenses and Permits	35,500	49,646	14,146
Fines and Forfeitures	82,500	102,578	20,078
Intergovernmental	555,500	571,283	15,783
Special Assessments			
Investment Income	407,500	266,279	(141,221)
Other	74,500	58,132	(16,368)
	<u>4,199,500</u>	<u>4,709,201</u>	<u>509,701</u>
<b>Total Revenues</b>			
	<u>4,199,500</u>	<u>4,709,201</u>	<u>509,701</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	2,232,188	1,377,694	854,494
Judicial	287,965	203,025	84,940
Security of Persons and Property	2,163,108	1,714,454	448,654
Public Health and Welfare	285,776	236,711	49,065
Transportation			
Community Environment	207,539	143,614	63,925
Leisure Time Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
	<u>5,176,576</u>	<u>3,675,498</u>	<u>1,501,078</u>
<b>Total Expenditures</b>			
	<u>5,176,576</u>	<u>3,675,498</u>	<u>1,501,078</u>
Excess of Revenues Over (Under) Expenditures	<u>(977,076)</u>	<u>1,033,703</u>	<u>2,010,779</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In			
Operating Transfers - Out	<u>(1,428,681)</u>	<u>(877,731)</u>	<u>550,950</u>
	<u>(1,428,681)</u>	<u>(877,731)</u>	<u>550,950</u>
<b>Total Other Financing Sources (Uses)</b>			
	<u>(1,428,681)</u>	<u>(877,731)</u>	<u>550,950</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,405,757)	155,972	2,561,729
Fund Balances at Beginning of Year	3,796,321	3,796,321	
Prior Year Encumbrances Appropriated	<u>206,149</u>	<u>206,149</u>	
<b>Fund Balances at End of Year</b>	<u>\$ 1,596,713</u>	<u>\$ 4,158,442</u>	<u>\$ 2,561,729</u>

Special Revenue Funds			Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 505,000	\$ 452,413	\$ (52,587)			
138,000	147,679	9,679			
1,000	1,576	576			
13,600	27,872	14,272			
356,200	345,843	(10,357)			
4,800		(4,800)	\$ 1,600	\$ 1,091	\$ (509)
29,000	43,322	14,322			
<u>1,047,600</u>	<u>1,018,705</u>	<u>(28,895)</u>	<u>1,600</u>	<u>1,091</u>	<u>(509)</u>
25,000	1,000	24,000			
619,575	562,805	56,770			
111,958	86,755	25,203			
1,116,487	926,661	189,826			
64,168	59,085	5,083			
429,976	337,661	92,315			
			66,000	65,000	1,000
			102,549	101,829	720
<u>2,367,164</u>	<u>1,973,967</u>	<u>393,197</u>	<u>168,549</u>	<u>166,829</u>	<u>1,720</u>
<u>(1,319,564)</u>	<u>(955,262)</u>	<u>364,302</u>	<u>(166,949)</u>	<u>(165,738)</u>	<u>1,211</u>
500,000	761,881	261,881	170,000	115,850	(54,150)
<u>500,000</u>	<u>761,881</u>	<u>261,881</u>	<u>170,000</u>	<u>115,850</u>	<u>(54,150)</u>
(819,564)	(193,381)	626,183	3,051	(49,888)	(52,939)
908,770	908,770		76,776	76,776	
158,387	158,387				
<u>\$ 247,593</u>	<u>\$ 873,776</u>	<u>\$ 626,183</u>	<u>\$ 79,827</u>	<u>\$ 26,888</u>	<u>\$ (52,939)</u>

(Continued)

**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types and Expendable Trust Fund  
For the Year Ended December 31, 2002  
(Continued)**

	<u>Capital Projects Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Municipal Income Taxes			
Property and Other Taxes			
Charges for Services	\$ 50,000	\$ 55,800	\$ 5,800
Licenses and Permits			
Fines and Forfeitures			
Intergovernmental			
Special Assessments			
Investment Income			
Other	5,000		(5,000)
	<u>55,000</u>	<u>55,800</u>	<u>800</u>
Total Revenues			
	<u>55,000</u>	<u>55,800</u>	<u>800</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive			
Judicial			
Security of Persons and Property			
Public Health and Welfare			
Transportation			
Community Environment			
Leisure Time Activities			
Capital Outlay	586,018	113,401	472,617
Debt Service:			
Principal Retirement	21,151	21,151	
Interest and Fiscal Charges	2,256	2,256	
	<u>609,425</u>	<u>136,808</u>	<u>472,617</u>
Total Expenditures			
	<u>609,425</u>	<u>136,808</u>	<u>472,617</u>
Excess of Revenues Over (Under) Expenditures	<u>(554,425)</u>	<u>(81,008)</u>	<u>473,417</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In	595,000		(595,000)
Operating Transfers - Out			
	<u>595,000</u>		<u>(595,000)</u>
Total Other Financing Sources (Uses)			
	<u>595,000</u>		<u>(595,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	40,575	(81,008)	(121,583)
Fund Balances at Beginning of Year	819,530	819,530	
Prior Year Encumbrances Appropriated	59,146	59,146	
	<u>819,530</u>	<u>819,530</u>	
Fund Balances at End of Year	<u>\$ 919,251</u>	<u>\$ 797,668</u>	<u>\$ (121,583)</u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Expendable Trust Fund			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$ 2,685,000	\$ 3,304,086	\$ 619,086
			805,000	754,715	(50,285)
			247,000	258,374	11,374
			36,500	51,222	14,722
			96,100	130,450	34,350
			911,700	917,126	5,426
			1,600	1,091	(509)
\$ 1,020		\$ (1,020)	413,320	266,279	(147,041)
			108,500	101,454	(7,046)
<u>1,020</u>		<u>(1,020)</u>	<u>5,304,720</u>	<u>5,784,797</u>	<u>480,077</u>
			2,232,188	1,377,694	854,494
			312,965	204,025	108,940
400	\$ 200	200	2,782,683	2,277,259	505,424
			398,134	323,666	74,468
			1,116,487	926,661	189,826
			271,707	202,699	69,008
			429,976	337,661	92,315
			586,018	113,401	472,617
			87,151	86,151	1,000
			104,805	104,085	720
<u>400</u>	<u>200</u>	<u>200</u>	<u>8,322,114</u>	<u>5,953,302</u>	<u>2,368,812</u>
<u>620</u>	<u>(200)</u>	<u>(820)</u>	<u>(3,017,394)</u>	<u>(168,505)</u>	<u>2,848,889</u>
			1,265,000	877,731	(387,269)
			(1,428,681)	(877,731)	550,950
			(163,681)		163,681
620	(200)	(820)	(3,181,075)	(168,505)	3,012,570
27,213	27,213		5,628,610	5,628,610	
			423,682	423,682	
<u>\$ 27,833</u>	<u>\$ 27,013</u>	<u>\$ (820)</u>	<u>\$ 2,871,217</u>	<u>\$ 5,883,787</u>	<u>\$ 3,012,570</u>

**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
All Proprietary Fund Types and Nonexpendable Trust Funds  
For the Year Ended December 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues</b>			
Charges for Services	\$ 3,768,927		\$ 3,768,927
Other Operating Revenues	6,439		6,439
Total Operating Revenues	<u>3,775,366</u>		<u>3,775,366</u>
<b>Operating Expenses</b>			
Personal Services	1,181,507		1,181,507
Contractual Services	480,921		480,921
Materials and Supplies	297,350		297,350
Depreciation	761,742		761,742
Other Operating Expenses	2,867		2,867
Total Operating Expenses	<u>2,724,387</u>		<u>2,724,387</u>
Operating Income	<u>1,050,979</u>		<u>1,050,979</u>
<b>Non-Operating Revenues (Expenses)</b>			
Tap-In Fees	16,459		16,459
Interest and Fiscal Charges	(144,892)		(144,892)
Total Non-Operating Revenues (Expenses)	<u>(128,433)</u>		<u>(128,433)</u>
Net Income	922,546		922,546
Depreciation on Fixed Assets Acquired by Contributed Capital	44,058		44,058
Retained Earnings/ Fund Balance at Beginning of Year - Restated (Note 19)	<u>12,904,287</u>	\$ 69,369	<u>12,973,656</u>
Retained Earnings/ Fund Balance at End of Year	13,870,891	69,369	13,940,260
Contributed Capital at Beginning of Year	687,843		687,843
Contributed from Other Funds	19,126		19,126
Depreciation on Fixed Assets Acquired by Contributed Capital	(44,058)		(44,058)
Contributed Capital at End of Year	<u>662,911</u>		<u>662,911</u>
<b>Total Fund Equity (Deficit) at End of Year</b>	<u><b>\$ 14,533,802</b></u>	<u><b>\$ 69,369</b></u>	<u><b>\$ 14,603,171</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**CITY OF BELLEVUE  
HURON COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types and Nonexpendable Trust Funds  
For the Year Ended December 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increases (Decreases) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$ 3,465,252		\$ 3,465,252
Cash Paid to Employees	(1,186,999)		(1,186,999)
Cash Payments for Suppliers and Services	(773,751)		(773,751)
Net Cash Provided by Operating Activities	<u>1,504,502</u>		<u>1,504,502</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Fixed Assets	(377,853)		(377,853)
Principal Paid on Bonds	(182,798)		(182,798)
Interest Paid on Bonds	(151,498)		(151,498)
Net Cash Used for Capital and Related Financing Activities	<u>(712,149)</u>		<u>(712,149)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tap In Fees	16,459		16,459
Net Increase in Cash and Cash Equivalents	808,812		808,812
Cash and Cash Equivalents at Beginning of Year	4,031,645	\$ 69,369	4,101,014
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 4,840,457</u></b>	<b><u>\$ 69,369</u></b>	<b><u>\$ 4,909,826</u></b>

**Reconciliation of Cash and Cash Equivalents of Fiduciary Funds to Balance Sheet:**

Per Balance Sheet	\$ 98,896
Less: Expendable Trust Fund	(27,013)
Agency Funds	(2,514)
<b>Nonexpendable Trust Fund</b>	<b><u>\$ 69,369</u></b>

(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, 2002  
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 1,050,979		\$ 1,050,979
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation	761,742		761,742
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(315,880)		(315,880)
(Increase) Decrease in Inventory	(49,849)		(49,849)
(Increase) Decrease in Prepaid Items	17,178		17,178
Increase (Decrease) in Accounts Payable	14,564		14,564
Increase (Decrease) in Accrued Wages and Benefits	457		457
Increase (Decrease) in Compensated Absences Payable	(1,517)		(1,517)
Increase (Decrease) in Due to Other Governments	3,855		3,855
Increase (Decrease) in Undistributed Monies	5,766		5,766
Increase in Accounts Payable from Fixed Asset Purchases	17,207		17,207
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,504,502</u></b>		<b><u>\$ 1,504,502</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Bellevue, Ohio (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 Statement 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity."

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.

**CITY OF BELLEVUE  
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**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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.

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 18 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), the collection of special assessments and payment of principal and interest for general obligation debt (debt service 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.

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

**C. Basis Of Accounting And Measurement Focus**

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.

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 year 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, state levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, charges for services, fines and forfeitures, and interest.

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

**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 fund types, other than agency funds, 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.

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 2002.

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.

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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.

**E. Cash and Investments**

To improve cash management, cash received by the City is pooled. 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the combined balance sheet.

During 2002, investments were limited to certificates of deposit, City of Bellevue bonds, money market accounts, and Star Ohio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, such as certificates of deposit, investments are reported at fair value, which is based on quoted market prices.

During the year, all investment earnings were credited to the General Fund and special revenue funds. Interest revenue credited to the General Fund during 2002 was \$264,610 which includes \$199,623 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 2002. 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, 2002.

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 not purchased through the pool 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.

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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 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:

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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 2002.

**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.

**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 other funds. Contributions from developers or customers are recorded as non-operating revenues in proprietary 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, 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

**CITY OF BELLEVUE  
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**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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 a statement of cash flows for its enterprise funds and nonexpendable trust funds. For purposes of the 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.

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

**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.

**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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may also 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

**CITY OF BELLEVUE  
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**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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."

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 \$8,363,193 and the bank balance was \$8,522,763. \$380,145 of the bank balance was covered by federal depository insurance. \$8,142,618 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

**CITY OF BELLEVUE  
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**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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
City of Bellevue Bonds	Category A	\$ 4,000	\$ 4,000
STAR Ohio	Not Categorized	3,700,510	3,700,510
Total Investments		\$ 3,704,510	\$ 3,704,510

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:

	Equity with City Treasurer	Investments
Per Combined Balance Sheet	\$ 12,068,198	
Cash on Hand	(495)	
Treasury Investment	(4,000)	\$ 4,000
STAR Ohio	(3,700,510)	3,700,510
GASB 3	\$ 8,363,193	\$ 3,704,510

Amounts above include balances of the City’s revolving loan fund in the amount of \$1,044,019 which is held in separate accounts under the control of the Bellevue Development Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for profit organization.

	Reconciliation to Balance Sheet
City's Deposits	\$ 8,363,193
Petty Cash and Drawer Change	495
Investments	3,704,510
Total	\$ 12,068,198
 <u>Per Balance Sheet</u>	
Equity in Pooled Cash and Investments	\$ 11,016,150
Cash and Cash Equivalents in Segregated Accounts	1,051,334
Cash with Fiscal Agents	714
Total	\$ 12,068,198

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

**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 \$3,263,059 in 2002.

**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 \$152,737,965. The full tax rate for all City operations applied to real property for fiscal year ended December 31, 2002 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 \$4.28 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 - 2001 Valuation:		
Residential/Agricultural	\$ 46,931,430	\$ 32,825,860
Public Utilities	8,830	340,870
Commercial/Industrial	11,312,020	13,492,760
Total Real Property	58,252,280	46,659,490
Tangible Personal Property - 2002 Valuation:		
General	11,343,175	31,834,930
Public Utilities	1,768,490	2,879,600
Total Personal Property	13,111,665	34,714,530
Total Assessed Valuation	\$ 71,363,945	\$ 81,374,020

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, 2002  
(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, 2002. 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 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

**5. RECEIVABLES**

Receivables at December 31, 2002, 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>	<u>Amount</u>
Accrued Property Taxes:	
Current	\$ 276,634
Delinquent	10,234
Accrued City Income Taxes	789,775
Total Taxes Receivable	<u>1,076,643</u>
Accounts Receivable	6,755
Due From Other Governments:	
Local Government Taxes	286,936
Homestead and Rollback	12,834
Total Due From Other Governments	<u>299,770</u>
Total General Fund	<u><b>1,383,168</b></u>
 <u>Special Revenue Funds:</u>	
Accrued Property Taxes:	
Current	423,279
Delinquent	15,659
Hotel-Motel Taxes	4,942
Total Taxes Receivable	<u>443,880</u>
Notes Receivable	890,971
Accounts Receivable	236

(Continued)

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

<u>Special Revenue Funds:</u>	<u>Amount</u>
Due From Other Governments:	
Homestead and Rollback	16,889
State Gasoline Taxes	99,152
State Motor Vehicle License Tax	44,875
Permissive License Tax	23,403
Total Due From Other Governments	<u>184,319</u>
Total Special Revenue Funds	<u><b>1,519,406</b></u>
 <u>Enterprise Fund:</u>	
Water Account Receivable:	
Billed	25,351
Unbilled Services	200,262
Total Water Account Receivable	<u>225,613</u>
Sewer Account Receivable:	
Billed	37,357
Unbilled	244,431
Total Sewer Account Receivable	<u>281,788</u>
Total Enterprise Fund	<u><b>507,401</b></u>
 <u>Agency Fund:</u>	
Accounts Receivable	<u><b>660</b></u>
 <b>Total Receivables</b>	 <u><u><b>\$ 3,410,635</b></u></u>

**6. INTERFUND ASSETS/LIABILITIES**

At December 31, 2002, the General Fund and the Hotel-Motel special revenue fund had receivables and payables that resulted from various interfund transactions, in the amount of \$2,471.

**7. FIXED ASSETS**

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

	Balance 1/1/2002	Additions	Retirements	Balance 12/31/2002
Land	\$ 719,694			\$ 719,694
Buildings	5,380,520	\$ 5,950		5,386,470
Land Improvements	97,746	12,881		110,627
Vehicles	2,285,245	202,606		2,487,851
Machinery and Equipment	1,839,302	138,702		1,978,004
 Total Assets	 <u><u>\$ 10,322,507</u></u>	 <u><u>\$ 360,139</u></u>		 <u><u>\$ 10,682,646</u></u>

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

The following is a summary of proprietary fund type fixed assets at December 31, 2002:

ENTERPRISE

	<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	1,238,844	2,407,271	3,646,115
Machinery and Equipment Contributed	180,250	20,521	200,771
Infrastructure	4,759,947	2,719,096	7,479,043
Infrastructure Contributed	<u>237,770</u>	<u>197,083</u>	<u>434,853</u>
Total Fixed Assets	13,688,476	11,917,531	25,606,007
Less: Accumulated Depreciation	<u>(5,997,131)</u>	<u>(6,975,488)</u>	<u>(12,972,619)</u>
Net Fixed Assets	<u>\$ 7,691,345</u>	<u>\$ 4,942,043</u>	<u>\$ 12,633,388</u>

**8. DEBT OBLIGATIONS**

	<u>Restated Balance 1/1/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2002</u>
<u>General Long-Term Debt:</u>				
Special Assesment (West Main St. Improvement) 4.85% Issued 09/01/84	\$ 3,000		\$ 1,000	\$ 2,000
Municipal Building Bonds 3.9% to 5.8% Issued 1999	1,875,000		65,000	1,810,000
Compensated Absences	395,425	\$ 43,567		438,992
Capital Leases	<u>41,401</u>		<u>20,151</u>	<u>21,250</u>
Total General Long-Term Debt	<u>2,314,826</u>	<u>43,567</u>	<u>86,151</u>	<u>2,272,242</u>
<u>Enterprise Debt:</u>				
O.W.D.A. Loan Issued 7/6/93 4.80%	3,070,620		127,798	2,942,822
Sewer System Refunding and Imp. Mortgage Revenue, 2.65-4%, 10/14/93	<u>55,000</u>		<u>55,000</u>	
Total Enterprise Debt	<u>3,125,620</u>		<u>182,798</u>	<u>2,942,822</u>
<b>Total Debt</b>	<b><u>\$ 5,440,446</u></b>	<b><u>\$ 43,567</u></b>	<b><u>\$ 268,949</u></b>	<b><u>\$ 5,215,064</u></b>

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

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. The debt is retired from the debt service fund.

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. The debt is retired from the debt service fund.

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

The capital lease is retired from resources of the capital project fund. The compensated absences liability will be paid from the fund which the employees' salaries are paid.

The annual requirements to amortize all bonded debts outstanding as of December 31, 2002, including total interest payments of \$1,882,688 are as follows:

Year Ending December 31	General Obligation Bonds	OWDA Loan	Special Assessment Bonds
2003	\$ 168,969	\$ 360,085	\$ 1,203
2004	170,819	360,085	1,101
2005	167,350	360,085	
2006	168,825	360,085	
2007	169,985	360,085	
2018-2019	337,260		
Total Principal and Interest	1,183,208	1,800,425	2,304
Less: Interest Expense	1,050,748	838,093	304
Total Principal	<u>\$ 132,460</u>	<u>\$ 962,332</u>	<u>\$ 2,000</u>

**9. 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, 2002:

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

Fiscal Year Ending December 31	General Long-Term Debt
2003	\$22,408
Total minimum lease payments	22,408
Less: Amount Representing Interest	1,158
Present Value of Future Minimum Lease Payments	\$21,250

**10. PENSION AND RETIREMENT PLANS**

The employees of the City are covered by either the Ohio Public Employees Retirement System 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.

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

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS 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. OPERS issues a stand alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 8.55 percent was the portion used to fund pension obligations for 2002. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 2002, 2001, and 2000, were \$187,755, \$196,570, and \$139,784, respectively; 71.54 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid portion for 2002 is recorded as a liability within the respective funds.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (Fund), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent and 24.0 percent

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

respectively for police officers and firefighters (11.75 percent was the portion used to fund pension obligations for 2002 for police and 16.25 percent was the portion used to fund pension obligations for 2002 for firefighters). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2002, 2001, and 2000, were \$129,025, \$143,493, and \$121,616, respectively; 70.91 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid portion for 2002 is recorded as a liability within the respective funds.

**11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability 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, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion used to fund health care for 2002.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .5 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 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. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2002, the total number of benefit recipients eligible for OPEB through the System was 402,041. As of December 31, 2001, the actuarial value of net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The City's actual contributions for 2002 which were used to fund OPEB were \$109,799.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (Fund) provides postretirement 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 eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7.75 percent was the portion used to fund health care for 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, 2001, was 13,174 for police and 10,239 for firefighters. The City's actual contributions for 2002 that were used to fund postemployment benefits were \$42,581 for police and \$30,745 for firefighters. The Fund's total health care expenses for the year ended December 31, 2001, (the latest information available), were \$122,298,771, which was net of member contributions of \$6,874,699.

**12. 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, 2002, 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 \$831,391.

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.

A liability for accrued vacation for \$173,226 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.

**13. 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, 2002 for these enterprise activities is as follows:

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

	Water	Sewer	Total
Operating Revenue	\$ 1,885,682	\$ 1,889,684	\$ 3,775,366
Operating Expenses	1,389,502	1,334,885	2,724,387
Depreciation	303,237	458,505	761,742
Operating Income	496,180	554,799	1,050,979
Interest and Fiscal Charges		144,892	144,892
Net Income	507,880	414,666	922,546
Fixed Assets	7,691,345	4,942,043	12,633,388
Asset Additions	202,461	175,392	377,853
Total Assets	11,417,097	6,652,169	18,069,266
Net Working Capital	3,291,578	1,551,658	4,843,236
Long-Term Debt		2,942,822	2,942,822
Net Cash Flow	457,673	351,139	808,812
Contributed Capital	542,828	120,083	662,911
Total Equity	10,982,923	3,550,879	14,533,802

**14. 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.

**15. BELLEVUE DEVELOPMENT CORPORATION**

The Bellevue Development Corporation (BDC) is a nonprofit organization whose primary efforts are to attract out-of-area companies to the City of Bellevue to increase the number of firms and employees working within the City. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. As part of its normal operation, the BDC administers the City's revolving loan program and loans money for the purchase or improvement of industrial sites. The following notes receivable are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2002 were as follows:

Erie Industries	5%	Matures 2003	\$ 805
Autoplas, Inc.	5%	Matures 2004	53,578
KMH Properties	5%	Matures 2005	106,780
Windsor Mold Ohio, Inc.	5%	Matures 2005	164,104
Woodard Photographic	5%	Matures 2005	66,924
Precision	5%	Matures 2011	456,959
Down Home Foods	5%	Matures 2011	41,821
Total Notes Receivable			<u>\$ 890,971</u>

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

**16. 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
Budget Basis	\$ 155,972	\$ (193,381)	\$ (49,888)	\$ (81,008)	\$ (200)
Adjustments:					
Revenue Accruals	(55,302)	73,640		(22,700)	
Expenditure Accruals	52,091	(3,243)		37,387	
Encumbrances	82,082	130,262		14,500	
GAAP Basis	\$ 234,843	\$ 7,278	\$ (49,888)	\$ (51,821)	\$ (200)

**17. 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 2002, the City contracted through Cincinnati Insurance Company for property, fleet, crime and liability insurance.

Coverage provided is as follows:

	Per Occurrence	Annual Aggregate
Building and Contents – Replacement Cost		\$30,196,820
Employee Liability	\$1,000,000 per Occurrence	\$1,000,000
Law Enforcement		\$1,000,000

**CITY OF BELLEVUE  
HURON COUNTY**

**Notes to the Financial Statements  
December 31, 2002  
(Continued)**

	<u>Per Occurrence</u>	<u>Annual Aggregate</u>
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.

**18. INSURANCE POOLS**

**Ohio Rural Water Association Workers' Compensation Group Rating Plan**

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

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

**19. PRIOR PERIOD ADJUSTMENT**

During 2002, it was determined that the OWDA Loan payable in the Enterprise Fund type was overstated by \$169,340. The following adjustment was made to retained earnings of the Enterprise Fund type to correct this error:

Beginning retained earnings, December 31, 2001, as previously reported	\$ 12,734,947
Reduction of OWDA loan payable	<u>169,340</u>
Beginning retained earnings, January 1, 2002 restated	<u><u>\$ 12,904,287</u></u>

This adjustment had no material effect on the net income of the Enterprise Fund type as previously reported for the year ended December 31, 2001.



**Auditor of State  
Betty Montgomery**

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

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

To the City Council:

We have audited the financial statements of the City of Bellevue, Huron County, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated October 6, 2003, which was qualified due to our inability to obtain sufficient evidential matter supporting fixed assets as reported in the General Fixed Assets Account Group, or amounts reported as fixed assets, accumulated depreciation, and depreciation expense of the Enterprise Fund Type. Except as described above, 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 the management of the City in a separate letter dated October 6, 2003.

**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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 2002-001.

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 believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 6, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 6, 2003

**CITY OF BELLEVUE  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002**

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

**FINDING NUMBER 2002-001**

**Material Weakness - Fixed Assets**

The City does not maintain an adequate detailed fixed asset listing for fixed assets. Also, depreciation expense was calculated by major class of assets rather than by individual assets or groups of similar assets. The failure to maintain an accurate fixed asset listing and calculate depreciation by individual assets or groups of similar assets did not enable auditors to obtain sufficient evidential matter regarding the amounts reported in the Enterprise Funds for fixed assets, accumulated depreciation, or depreciation expense and in the General Fixed Assets Account Group for fixed assets. 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.

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 or groups of similar assets.

**CITY OF BELLEVUE  
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-20539-001	Material Weakness – For failure to maintain Enterprise Fund fixed asset records.	No	Not corrected. The City is in the process of updating the fixed assets, but has not fully completed as of the date of issue of this report. Reissued as finding number 2002-001.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 6, 2003**