

CITY OF BELLEVUE, OHIO

Basic Financial Statements

Year Ended December 31, 2017

With Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Bellevue, Huron County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 6, 2018

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bellevue, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparisons for the General Fund and Parks and Recreation Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the City of Bellevue's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bellevue's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2018

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The discussion and analysis of the City of Bellevue's (the City) financial performance provides an overall view of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- ❑ The City's net position increased \$844,671 as a result of this year's operations. The net position of the City's governmental activities increased by \$402,097, and net position for the City's business-type activities increased by \$442,574.
- ❑ During the year, the City had expenses for governmental activities in the amount of \$7,313,193, and program and general revenues of \$7,715,290. Business-type activities applied program revenues of \$5,965,460 to \$5,522,866 of expenses in 2017.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all *assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

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

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including Legislative and Executive, Judicial, Security of Persons and Property, Public Health and Welfare, Transportation, Community Environment, Transportation, and Leisure Time Activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Water Fund and Wastewater Pollution Fund are reported as business-type activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, the Parks and Recreation Special Revenue fund and the Capital Improvement Capital Projects fund.

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

Table 1 - Net Position

| | Governmental Activities 2017 | Business-Type Activities 2017 | Total 2017 | Total 2016 |
|--|------------------------------------|-------------------------------------|----------------------|----------------------|
| <u>Assets</u> | | | | |
| Current and Other Assets | \$ 6,750,377 | \$ 6,472,954 | \$ 13,223,331 | \$ 12,618,766 |
| Capital Assets | 13,980,287 | 26,140,589 | 40,120,876 | 39,514,931 |
| Total Assets | 20,730,664 | 32,613,543 | 53,344,207 | 52,133,697 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferral on Refunding | 7,482 | - | 7,482 | 10,690 |
| Pension | 1,663,194 | 870,142 | 2,533,336 | 2,336,852 |
| Total Deferred Outflows of Resources | 1,670,676 | 870,142 | 2,540,818 | 2,347,542 |
| <u>Liabilities</u> | | | | |
| Other Liabilities | 278,124 | 209,590 | 487,714 | 519,584 |
| Net Pension Liability | 5,662,542 | 2,156,109 | 7,818,651 | 6,844,032 |
| Long-Term Liabilities | 690,692 | 4,601,882 | 5,292,574 | 5,802,295 |
| Total Liabilities | 6,631,358 | 6,967,581 | 13,598,939 | 13,165,911 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Property Taxes | 782,070 | - | 782,070 | 743,734 |
| Pension | 152,812 | 14,956 | 167,768 | 80,017 |
| Total Deferred Inflows of Resources | 934,882 | 14,956 | 949,838 | 823,751 |
| <u>Net Position</u> | | | | |
| Net Investment in Capital Assets | 13,697,641 | 21,751,090 | 35,448,731 | 34,286,924 |
| Restricted | 3,242,133 | - | 3,242,133 | 3,758,754 |
| Unrestricted | (2,104,674) | 4,750,058 | 2,645,384 | 2,445,899 |
| Total Net Position | \$ 14,835,100 | \$ 26,501,148 | \$ 41,336,248 | \$ 40,491,577 |

Net Pension Liability increased by \$974,619 in 2017 due to the recording of GASB Statement No. 68 as discussed below. Total Long-Term Liabilities decreased by \$509,721, mainly due to the principal payment of bonds and loans.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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The City has adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the City’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Due to the implementation of GASB 68, the City is reporting a net pension liability, net pension asset and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Table 2 shows the changes in net position for the year 2017 compared to 2016:

Table 2 - Changes in Net Position

| | Governmental Activities 2017 | Business-Type Activities 2017 | Total 2017 | Total 2016 |
|---|------------------------------------|-------------------------------------|-------------------|-------------------|
| <u>Revenues</u> | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 712,328 | \$ 5,925,460 | \$ 6,637,788 | \$ 6,576,781 |
| Operating Grants and Contributions | 434,924 | 0 | 434,924 | 739,752 |
| Capital Grants and Contributions | 1,557,639 | 40,000 | 1,597,639 | 34,646 |
| General Revenues: | | | | |
| Municipal Income Taxes | 3,764,995 | 0 | 3,764,995 | 4,076,779 |
| Property Taxes | 773,557 | 0 | 773,557 | 731,810 |
| Grants and Entitlements | 336,036 | 0 | 336,036 | 331,204 |
| Investment Income | 88,022 | 0 | 88,022 | 38,637 |
| Gain on Sale of Capital Assets | 0 | 0 | 0 | 3,549 |
| All Other Revenues | 47,789 | 0 | 47,789 | 420,875 |
| Total Revenues | 7,715,290 | 5,965,460 | 13,680,750 | 12,954,033 |
| <u>Program Expenses</u> | | | | |
| General Government -Legislative and Executive | 1,722,897 | 0 | 1,722,897 | 1,645,164 |
| General Government -Judicial | 373,844 | 0 | 373,844 | 341,320 |
| Security of Persons and Property | 2,959,847 | 0 | 2,959,847 | 3,073,227 |
| Public Health and Welfare | 125,857 | 0 | 125,857 | 124,692 |
| Transportation | 1,172,705 | 0 | 1,172,705 | 1,087,696 |
| Community Environment | 160,394 | 0 | 160,394 | 105,347 |
| Leisure Time Activities | 785,768 | 0 | 785,768 | 714,253 |
| Interest and Fiscal Charges | 11,881 | 0 | 11,881 | 14,167 |
| Water | 0 | 3,323,806 | 3,323,806 | 3,325,849 |
| Wastewater Pollution | 0 | 2,199,080 | 2,199,080 | 2,243,898 |
| Total Expenses | 7,313,193 | 5,522,886 | 12,836,079 | 12,675,613 |
| Increase in Net Position | \$ 402,097 | \$ 442,574 | \$ 844,671 | \$ 278,420 |

Governmental Activities

Presently, the City has non-voted millage of 2.0 mills for General Fund operations and 0.3 mills each for the Police and Fire Pension funds. The City has voted millage, which is outside the 10-mill limitation of 2.0 mills for ambulance and emergency medical services and 2.0 mills for recreation.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

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

Thus, the City depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 66.09 percent of total revenues for governmental activities in calendar year 2017.

Total revenues increased by \$973,569 in 2017. This was due to decreases in municipal income taxes, operating grants and contributions, and other revenues, offset by an increase in capital grants and contributions. Capital grants and contributions increased due to a capital contribution from ODOT for the North Coast Inland Bike Trail project.

General Government – Legislative, Executive, and Judicial comprise 28.67 percent; Security of Persons and Property comprise 40.47 percent; Leisure Time Activities comprise 10.74 percent; and Transportation comprised 16.04 percent of governmental program expenses.

Total expenses increased by \$207,327 in 2017. The increase was mainly due to the increases in most program expenses, offset by a decrease in Security of Persons and Property expense.

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

Table 3 - Governmental Activities

| | Total Cost of Services 2017 | Net Cost of Services 2017 | Total Cost of Services 2016 |
|--|-----------------------------------|---------------------------------|-----------------------------------|
| General Government - Legislative and Executive | \$ 1,722,897 | \$ 1,663,479 | \$ 1,645,164 |
| General Government - Judicial | 373,844 | 217,382 | 341,320 |
| Security of Persons and Property | 2,959,847 | 2,858,623 | 3,073,227 |
| Public Health and Welfare | 125,857 | 103,660 | 124,692 |
| Transportation | 1,172,705 | (688,324) | 1,087,696 |
| Community Environment | 160,394 | 141,556 | 105,347 |
| Leisure Time Activities | 785,768 | 300,045 | 714,253 |
| Interest and Fiscal Charges | 11,881 | 11,881 | 14,167 |
| Total Expenses | \$ 7,313,193 | \$ 4,608,302 | \$ 7,105,866 |

The dependence upon tax revenues for governmental activities is apparent. 62.05 percent of program expenses and services are supported through taxes alone. The community, as a whole, is by far the primary support for the City.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Business-Type Activities

Business-type activities include the Water and Wastewater Pollution funds. These programs had total revenues of \$5,965,460 and total expenses of \$5,522,886 for the year 2017 for an increase in net position of \$442,574. Business-type activities receive no support from tax revenues. Total revenues decreased by \$246,852 in 2017 due to the decrease in other revenues and expenses remained consistent from prior year.

The City's Funds

Information about the City's major funds, which are the General Fund, the Parks and Recreation Special Revenue fund and the Capital Improvement Capital Projects fund, starts on page 15. All governmental funds had total revenues (including other financing sources) of \$8,037,933, and expenditures (including other financing uses) of \$8,030,995. The General Fund, which is always a major fund, had a net increase in fund balance of \$412,702 due to an increase in municipal income tax revenue, a decrease in Security of Persons and Property expense, and a decrease of transfers out to other funds.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The City uses department-based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$4,953,498, plus a beginning unobligated cash balance of \$736,664, for an amount of \$5,690,162. This estimate was applied to the final budget amount of expenditures and prior year encumbrances of \$5,671,751, for a budget unobligated balance of \$105,537. The City's General Fund actual ending unobligated cash balance was \$1,133,914, for a favorable variance of \$1,028,377.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the City had \$40,120,876 invested in land and land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, infrastructure, and construction in progress. \$13,980,287 is reported in the governmental activities while \$26,140,589 is reported in the business-type activities. Table 4 shows the 2017 balances compared to 2016.

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

| | Governmental | Business-Type | Total 2017 | Total 2016 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Activities 2017 | Activities 2017 | | |
| Land and Land Improvements | \$ 1,307,107 | \$ 2,796,359 | \$ 4,103,466 | \$ 4,103,466 |
| Buildings and Improvements | 6,379,445 | 16,779,545 | 23,158,990 | 23,047,223 |
| Furniture, Fixtures, and Equipment | 1,680,685 | 2,525,431 | 4,206,116 | 4,014,809 |
| Vehicles | 2,762,907 | 830,317 | 3,593,224 | 3,562,589 |
| Infrastructure | 15,493,369 | 20,252,824 | 35,746,193 | 34,961,223 |
| Construction in Progress | 1,195,961 | - | 1,195,961 | 135,500 |
| Total Capital Assets | 28,819,474 | 43,184,476 | 72,003,950 | 69,824,810 |
| Accumulated Depreciation | (14,839,187) | (17,043,887) | (31,883,074) | (30,309,879) |
| Totals | \$ 13,980,287 | \$ 26,140,589 | \$ 40,120,876 | \$ 39,514,931 |

See Note 9 to the basic financial statements for additional detail on capital assets.

Debt

At December 31, 2017, the City had \$4,679,499 in bonds, loans, and capital leases outstanding with \$573,510 due within one year. Table 5 summarizes bond and loans outstanding.

Table 5 - Outstanding Debt at Year End

| | Governmental | Business-Type | Total 2017 | Total 2016 |
|--------------------------------|--------------------|---------------------|---------------------|---------------------|
| | Activities 2017 | Activities 2017 | | |
| Refund Municipal Building Bond | \$ 290,000 | \$ - | \$ 290,000 | \$ 430,000 |
| Capital Lease | - | 294,099 | 294,099 | 335,602 |
| O.W.D.A. Loan | - | 4,095,400 | 4,095,400 | 4,472,910 |
| Total | \$ 290,000 | \$ 4,389,499 | \$ 4,679,499 | \$ 5,238,512 |

Outstanding general obligation bonds consist of a refunding municipal building bond issue. General obligation bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City. The outstanding capital lease consists of a lease for a vac truck. The outstanding O.W.D.A. 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 Wastewater Pollution Fund. See Notes 11, 12, and 13 to the basic financial statements for additional detail on the City's debt activity.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

For the Future

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

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

Contacting the City's Financial Management

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

Basic Financial Statements

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,280,561 | \$ 5,351,319 | \$ 9,631,880 |
| Cash and Cash Equivalents: | | | |
| In Segregated Accounts | 3,057 | - | 3,057 |
| Materials and Supplies Inventory | 34,569 | 316,127 | 350,696 |
| Accounts Receivable | 83,264 | 801,482 | 884,746 |
| Intergovernmental Receivable | 306,678 | - | 306,678 |
| Municipal Income Taxes Receivable | 1,138,196 | - | 1,138,196 |
| Property Taxes Receivable | 804,183 | - | 804,183 |
| Notes Receivable | 62,470 | - | 62,470 |
| Restricted Assets: | | | |
| Deposits | 32,684 | - | 32,684 |
| Nondepreciable Capital Assets | 2,383,536 | 2,200,212 | 4,583,748 |
| Depreciable Capital Assets | 11,596,751 | 23,940,377 | 35,537,128 |
| Net Pension Asset | 4,715 | 4,026 | 8,741 |
| Total Assets | 20,730,664 | 32,613,543 | 53,344,207 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferral on Refunding | 7,482 | - | 7,482 |
| Pension | 1,663,194 | 870,142 | 2,533,336 |
| Total Deferred Outflows of Resources | 1,670,676 | 870,142 | 2,540,818 |
| LIABILITIES | | | |
| Accounts Payable | 143,824 | 88,139 | 231,963 |
| Accrued Wages and Benefits | 48,699 | 29,479 | 78,178 |
| Intergovernmental Payable | 41,502 | 18,580 | 60,082 |
| Accrued Interest Payable | 514 | 51,844 | 52,358 |
| Claims Payable | 43,585 | 21,548 | 65,133 |
| Long-term Liabilities: | | | |
| Due within one year | 273,609 | 511,135 | 784,744 |
| Due in more than one year: | | | |
| Net Pension Liability | 5,662,542 | 2,156,109 | 7,818,651 |
| Other Amounts | 417,083 | 4,090,747 | 4,507,830 |
| Total Liabilities | 6,631,358 | 6,967,581 | 13,598,939 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | 782,070 | - | 782,070 |
| Pension | 152,812 | 14,956 | 167,768 |
| Total Deferred Inflows of Resources | 934,882 | 14,956 | 949,838 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 13,697,641 | 21,751,090 | 35,448,731 |
| Restricted for: | | | |
| Capital Projects | 1,266,336 | - | 1,266,336 |
| Debt Service | 23,376 | - | 23,376 |
| Community Development | 480,760 | - | 480,760 |
| Streets and Highways | 466,453 | - | 466,453 |
| Police and Fire | 469,999 | - | 469,999 |
| Recreation | 244,324 | - | 244,324 |
| Other Purposes | 290,885 | - | 290,885 |
| Unrestricted | (2,104,674) | 4,750,058 | 2,645,384 |
| Total Net Position | \$ 14,835,100 | \$ 26,501,148 | \$ 41,336,248 |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|----------------------|----------------------|------------------------------------|---|-----------------------------|-----------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General Government: | | | | | | | |
| Legislative and Executive | \$ 1,722,897 | \$ 59,418 | \$ - | \$ - | \$ (1,663,479) | \$ - | \$ (1,663,479) |
| Judicial | 373,844 | 156,462 | - | - | (217,382) | - | (217,382) |
| Security of Persons and Property | 2,959,847 | 2,224 | - | 99,000 | (2,858,623) | - | (2,858,623) |
| Public Health and Welfare | 125,857 | 22,197 | - | - | (103,660) | - | (103,660) |
| Transportation | 1,172,705 | - | 402,390 | 1,458,639 | 688,324 | - | 688,324 |
| Community Environment | 160,394 | 18,838 | - | - | (141,556) | - | (141,556) |
| Leisure Time Activities | 785,768 | 453,189 | 32,534 | - | (300,045) | - | (300,045) |
| Interest and Fiscal Charges | 11,881 | - | - | - | (11,881) | - | (11,881) |
| Total Governmental activities | 7,313,193 | 712,328 | 434,924 | 1,557,639 | (4,608,302) | - | (4,608,302) |
| Business-type activities: | | | | | | | |
| Water | 3,323,806 | 2,834,912 | - | 40,000 | - | (448,894) | (448,894) |
| Wastewater Pollution | 2,199,080 | 3,090,548 | - | - | - | 891,468 | 891,468 |
| Total Business-type activities | 5,522,886 | 5,925,460 | - | 40,000 | - | 442,574 | 442,574 |
| Total Primary Government | \$ 12,836,079 | \$ 6,637,788 | \$ 434,924 | \$ 1,597,639 | (4,608,302) | 442,574 | (4,165,728) |
| General Revenues: | | | | | | | |
| Property Taxes levied for: | | | | | | | |
| General Purposes | | | | | 254,567 | - | 254,567 |
| Other Purposes | | | | | 518,990 | - | 518,990 |
| Municipal Income Taxes levied for: | | | | | | | |
| General Purposes | | | | | 3,764,995 | - | 3,764,995 |
| Grants & Entitlements not restricted to specific programs | | | | | 336,036 | - | 336,036 |
| Investment Income | | | | | 88,022 | - | 88,022 |
| All Other Revenues | | | | | 47,789 | - | 47,789 |
| Total General Revenues | | | | | <u>5,010,399</u> | <u>-</u> | <u>5,010,399</u> |
| Change in Net Position | | | | | 402,097 | 442,574 | 844,671 |
| Net Position - Beginning of Year | | | | | <u>14,433,003</u> | <u>26,058,574</u> | <u>40,491,577</u> |
| Net Position - End of Year | | | | | <u>\$ 14,835,100</u> | <u>\$ 26,501,148</u> | <u>\$ 41,336,248</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

| | <u>General Fund</u> | <u>Parks and Recreation</u> | <u>Capital Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------------|--------------------------------|---|---|
| ASSETS | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,199,642 | \$ 260,038 | \$ 332,941 | \$ 2,487,940 | \$ 4,280,561 |
| Cash and Cash Equivalents: | | | | | |
| In Segregated Accounts | 3,057 | - | - | - | 3,057 |
| Materials and Supplies Inventory | - | - | - | 34,569 | 34,569 |
| Accounts Receivable | 80,870 | 1,057 | - | 1,337 | 83,264 |
| Intergovernmental Receivable | 98,091 | 11,815 | - | 196,772 | 306,678 |
| Restricted Assets: | | | | | |
| Deposits | - | - | 32,684 | - | 32,684 |
| Municipal Income Taxes Receivable | 1,138,196 | - | - | - | 1,138,196 |
| Property Taxes Receivable | 270,466 | 261,778 | - | 271,939 | 804,183 |
| Notes Receivable | - | - | - | 62,470 | 62,470 |
| Total Assets | <u>\$ 2,790,322</u> | <u>\$ 534,688</u> | <u>\$ 365,625</u> | <u>\$ 3,055,027</u> | <u>\$ 6,745,662</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 24,605 | \$ 14,731 | \$ 53,421 | \$ 51,067 | \$ 143,824 |
| Accrued Wages and Benefits | 40,865 | 3,470 | - | 4,364 | 48,699 |
| Intergovernmental Payable | 19,740 | 2,750 | - | 19,012 | 41,502 |
| <i>Total Liabilities</i> | <u>85,210</u> | <u>20,951</u> | <u>53,421</u> | <u>74,443</u> | <u>234,025</u> |
| Deferred Inflows of Resources: | | | | | |
| Property Taxes | 262,842 | 254,376 | - | 264,852 | 782,070 |
| Unavailable Revenue - Delinquent Property Taxes | 7,624 | 7,402 | - | 7,087 | 22,113 |
| Unavailable Revenue - Municipal Income Taxes | 561,764 | - | - | - | 561,764 |
| Unavailable Revenue - Other | 122,357 | 11,815 | - | 134,786 | 268,958 |
| <i>Total Deferred Inflows of Resources</i> | <u>954,587</u> | <u>273,593</u> | <u>-</u> | <u>406,725</u> | <u>1,634,905</u> |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | 34,569 | 34,569 |
| Restricted | 32,104 | 240,144 | 312,204 | 2,539,290 | 3,123,742 |
| Assigned | 804,742 | - | - | - | 804,742 |
| Unassigned | 913,679 | - | - | - | 913,679 |
| <i>Total Fund Balances</i> | <u>1,750,525</u> | <u>240,144</u> | <u>312,204</u> | <u>2,573,859</u> | <u>4,876,732</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,790,322</u> | <u>\$ 534,688</u> | <u>\$ 365,625</u> | <u>\$ 3,055,027</u> | <u>\$ 6,745,662</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Total Governmental Funds Balance \$ 4,876,732

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 13,980,287

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

| | | |
|---------------------------|---------------|---------|
| Municipal income taxes | 561,764 | |
| Delinquent property taxes | 22,113 | |
| Intergovernmental | 212,672 | |
| Charges for services | <u>56,286</u> | |
| Total | | 852,835 |

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (514)

The net pension liability/assets is not due and payable in the current period; therefore, the liability/assets and related deferred inflows/outflows are not reported in governmental funds:

| | | |
|-----------------------------|--------------------|-------------|
| Net Pension Asset | 4,715 | |
| Deferred Outflows - Pension | 1,663,194 | |
| Deferred Inflows - Pension | (152,812) | |
| Net Pension Liability | <u>(5,662,542)</u> | |
| Total | | (4,147,445) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|-------------------------------|-----------------|------------------|
| General obligation bonds | (290,000) | |
| Unamortized bond premiums | (128) | |
| Deferral of loss on refunding | 7,482 | |
| Compensated absences | (400,564) | |
| Claims payable | <u>(43,585)</u> | |
| Total | | <u>(726,795)</u> |

Net Position of Governmental Activities \$ 14,835,100

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | General Fund | Parks and Recreation | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------|------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property Taxes | \$ 258,367 | \$ 253,007 | \$ - | \$ 274,009 | \$ 785,383 |
| Municipal Income Taxes | 4,038,496 | - | - | - | 4,038,496 |
| Intergovernmental | 298,888 | 26,782 | 928,650 | 553,447 | 1,807,767 |
| Interest | 82,654 | - | - | 5,368 | 88,022 |
| Fees, Licenses, and Permits | 57,986 | - | - | - | 57,986 |
| Fines and Forfeitures | 149,209 | - | - | 22,283 | 171,492 |
| Charges for Services | 28,077 | 453,189 | - | 22,197 | 503,463 |
| Contributions and Donations | - | 286 | - | - | 286 |
| All Other Revenues | 26,403 | 649 | - | 20,737 | 47,789 |
| Total Revenues | 4,940,080 | 733,913 | 928,650 | 898,041 | 7,500,684 |
| EXPENDITURES | | | | | |
| General Government: | | | | | |
| Legislative and Executive | 1,429,776 | - | - | - | 1,429,776 |
| Judicial | 319,361 | - | - | 8,367 | 327,728 |
| Security of Persons and Property | 2,100,829 | - | - | 456,365 | 2,557,194 |
| Public Health and Welfare | - | - | - | 110,506 | 110,506 |
| Transportation | - | - | - | 404,217 | 404,217 |
| Community Environment | 146,735 | - | - | 13,155 | 159,890 |
| Leisure Time Activities | - | 671,440 | - | 10,158 | 681,598 |
| Capital Outlay | - | 20,232 | 1,060,461 | 596,467 | 1,677,160 |
| Debt Service: | - | - | - | - | - |
| Principal Retirement | - | - | - | 140,000 | 140,000 |
| Interest and Fiscal Charges | - | - | - | 8,963 | 8,963 |
| Total Expenditures | 3,996,701 | 691,672 | 1,060,461 | 1,748,198 | 7,497,032 |
| Excess of Revenues (Under) Expenditures | 943,379 | 42,241 | (131,811) | (850,157) | 3,652 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of Capital Assets | 3,286 | - | - | - | 3,286 |
| Transfers In | - | - | 125,000 | 408,963 | 533,963 |
| Transfers Out | (533,963) | - | - | - | (533,963) |
| Total Other Financing Sources (Uses) | (530,677) | - | 125,000 | 408,963 | 3,286 |
| Net Change in Fund Balances | 412,702 | 42,241 | (6,811) | (441,194) | 6,938 |
| Fund Balances - Beginning of Year | 1,337,823 | 197,903 | 319,015 | 3,040,309 | 4,895,050 |
| Increase (Decrease) in Inventory | - | - | - | (25,256) | (25,256) |
| Fund Balances - End of Year | \$ 1,750,525 | \$ 240,144 | \$ 312,204 | \$ 2,573,859 | \$ 4,876,732 |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances-Total Governmental Funds \$ 6,938

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

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

| | | | |
|-------------------------------------|----|------------------|-----------|
| Capital Outlay | \$ | 1,677,160 | |
| Capital Contributions and Donations | | 529,988 | |
| Depreciation | | <u>(890,738)</u> | |
| Total | | | 1,316,410 |

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (189,050)

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

| | | | |
|---------------------------|--|-----------------|-----------|
| Municipal income taxes | | (273,501) | |
| Delinquent property taxes | | (11,826) | |
| Intergovernmental | | (9,443) | |
| Charges for services | | <u>(20,613)</u> | |
| Total | | | (315,383) |

Repayment of bond principal is an expenditure in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 140,000

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 413,981

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/asset are reported as pension expense in the statement of activities. (958,441)

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

| | | | |
|-----------------------------------|--|-----------------|-----------------|
| Compensated absences | | (37,897) | |
| Accrued interest on bonds | | 233 | |
| Claims payable | | 53,713 | |
| Amortization of bond premiums | | 57 | |
| Amortization of loss on refunding | | (3,208) | |
| Change in inventory | | <u>(25,256)</u> | |
| Total | | | <u>(12,358)</u> |

Change in Net Position of Governmental Activities \$ 402,097

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------|-------------------|---------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Revenues: | | | | |
| Property Taxes | \$ 245,573 | \$ 245,573 | \$ 258,367 | \$ 12,794 |
| Municipal Income Taxes | 4,100,000 | 4,100,000 | 4,037,765 | (62,235) |
| Intergovernmental | 284,500 | 284,500 | 299,382 | 14,882 |
| Interest | 38,000 | 38,000 | 82,654 | 44,654 |
| Fees, Licenses, and Permits | 53,825 | 53,825 | 45,043 | (8,782) |
| Fines and Forfeitures | 177,200 | 177,200 | 148,186 | (29,014) |
| Charges for Services | 12,400 | 12,400 | 28,077 | 15,677 |
| All Other Revenues | 42,000 | 42,000 | 29,357 | (12,643) |
| Total Revenues | <u>4,953,498</u> | <u>4,953,498</u> | <u>4,928,831</u> | <u>(24,667)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 1,722,680 | 1,722,680 | 1,510,879 | 211,801 |
| Judicial | 379,179 | 379,179 | 320,616 | 58,563 |
| Security of Persons and Property | 2,595,142 | 2,595,142 | 2,109,798 | 485,344 |
| Community Environment | 169,750 | 169,750 | 146,737 | 23,013 |
| Total Expenditures | <u>4,866,751</u> | <u>4,866,751</u> | <u>4,088,030</u> | <u>778,721</u> |
| Excess of Revenues Over (Under) Expenditures | 86,747 | 86,747 | 840,801 | 754,054 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | - | - | 3,286 | 3,286 |
| Transfers Out | (805,000) | (805,000) | (533,963) | 271,037 |
| Total Other Financing Sources (Uses) | <u>(805,000)</u> | <u>(805,000)</u> | <u>(530,677)</u> | <u>274,323</u> |
| Net Change in Fund Balance | (718,253) | (718,253) | 310,124 | 1,028,377 |
| Fund Balance - Beginning of Year | 736,664 | 736,664 | 736,664 | - |
| Prior Year Encumbrances Appropriated | 87,126 | 87,126 | 87,126 | - |
| Fund Balance - End of Year | <u>\$ 105,537</u> | <u>\$ 105,537</u> | <u>\$ 1,133,914</u> | <u>\$ 1,028,377</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL -
PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Property Taxes | \$ 243,719 | \$ 243,719 | \$ 253,007 | \$ 9,288 |
| Intergovernmental | 329,000 | 329,000 | 26,782 | (302,218) |
| Charges for Services | 431,500 | 431,500 | 452,132 | 20,632 |
| Contributions and Donations | 5,000 | 5,000 | 286 | (4,714) |
| All Other Revenues | 13,500 | 13,500 | 649 | (12,851) |
| Total Revenues | <u>1,022,719</u> | <u>1,022,719</u> | <u>732,856</u> | <u>(289,863)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Leisure Time Activities | 1,093,107 | 1,093,107 | 694,799 | 398,308 |
| Total Expenditures | <u>1,093,107</u> | <u>1,093,107</u> | <u>694,799</u> | <u>398,308</u> |
| Net Change in Fund Balance | (70,388) | (70,388) | 38,057 | 108,445 |
| Fund Balance - Beginning of Year | 206,041 | 206,041 | 206,041 | - |
| Prior Year Encumbrances Appropriated | 3,157 | 3,157 | 3,157 | - |
| Fund Balance - End of Year | <u>\$ 138,810</u> | <u>\$ 138,810</u> | <u>\$ 247,255</u> | <u>\$ 108,445</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

| | Business-Type Activities - Enterprise Funds | | |
|---|--|--|----------------------|
| | Water Fund | Wastewater Pollution Fund | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,301,083 | \$ 4,050,236 | \$ 5,351,319 |
| Materials and Supplies Inventory | 275,580 | 40,547 | 316,127 |
| Accounts Receivable | 365,562 | 435,920 | 801,482 |
| <i>Total Current Assets</i> | <u>1,942,225</u> | <u>4,526,703</u> | <u>6,468,928</u> |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Land | 1,781,297 | 418,915 | 2,200,212 |
| Depreciable Assets, Net of Depreciation | 11,618,024 | 12,322,353 | 23,940,377 |
| Net Pension Asset | 2,200 | 1,826 | 4,026 |
| <i>Total Noncurrent Assets</i> | <u>13,401,521</u> | <u>12,743,094</u> | <u>26,144,615</u> |
| Total Assets | <u>15,343,746</u> | <u>17,269,797</u> | <u>32,613,543</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension | 475,498 | 394,644 | 870,142 |
| Total Deferred Outflows of Resources | <u>475,498</u> | <u>394,644</u> | <u>870,142</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 55,046 | 33,093 | 88,139 |
| Accrued Wages and Benefits | 18,227 | 11,252 | 29,479 |
| Intergovernmental Payable | 11,406 | 7,174 | 18,580 |
| Accrued Interest Payable | 326 | 51,518 | 51,844 |
| Compensated Absences Payable | 48,714 | 33,911 | 82,625 |
| Claims Payable | 10,719 | 10,829 | 21,548 |
| OWDA Loans Payable | - | 387,007 | 387,007 |
| Capital Leases Payable | 20,752 | 20,751 | 41,503 |
| <i>Total Current Liabilities</i> | <u>165,190</u> | <u>555,535</u> | <u>720,725</u> |
| Noncurrent Liabilities: | | | |
| Compensated Absences Payable | 72,226 | 57,532 | 129,758 |
| OWDA Loans Payable | - | 3,708,393 | 3,708,393 |
| Capital Leases Payable | 126,641 | 125,955 | 252,596 |
| Net Pension Liability | 1,178,230 | 977,879 | 2,156,109 |
| <i>Total Noncurrent Liabilities</i> | <u>1,377,097</u> | <u>4,869,759</u> | <u>6,246,856</u> |
| Total Liabilities | <u>1,542,287</u> | <u>5,425,294</u> | <u>6,967,581</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension | 8,174 | 6,782 | 14,956 |
| Total Deferred Inflows of Resources | <u>8,174</u> | <u>6,782</u> | <u>14,956</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 13,251,928 | 8,499,162 | 21,751,090 |
| Unrestricted | 1,016,855 | 3,733,203 | 4,750,058 |
| Total Net Position | <u>\$ 14,268,783</u> | <u>\$ 12,232,365</u> | <u>\$ 26,501,148</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Business-Type Activities - Enterprise Funds | | |
|---|--|---------------------------|----------------------|
| | Water | Wastewater | Total |
| | Fund | Pollution Fund | |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 2,824,504 | \$ 3,066,135 | \$ 5,890,639 |
| Miscellaneous | - | 20,593 | 20,593 |
| Other Services | 5,258 | - | 5,258 |
| Total Operating Revenues | <u>2,829,762</u> | <u>3,086,728</u> | <u>5,916,490</u> |
| OPERATING EXPENSES | | | |
| Salaries | 1,270,072 | 910,632 | 2,180,704 |
| Materials and Supplies | 775,415 | 204,768 | 980,183 |
| Contractual Services | 902,511 | 508,964 | 1,411,475 |
| Depreciation | 371,389 | 465,538 | 836,927 |
| Total Operating Expense | <u>3,319,387</u> | <u>2,089,902</u> | <u>5,409,289</u> |
| Operating Income | <u>(489,625)</u> | <u>996,826</u> | <u>507,201</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest and Fiscal Charges | (4,419) | (109,178) | (113,597) |
| Tap-In Fees | 5,150 | 3,820 | 8,970 |
| Total Nonoperating Revenues (Expenses) | <u>731</u> | <u>(105,358)</u> | <u>(104,627)</u> |
| Capital Contributions from Grants | 40,000 | - | 40,000 |
| Change in Net Position | (448,894) | 891,468 | 442,574 |
| Net Position - Beginning of Year | 14,717,677 | 11,340,897 | 26,058,574 |
| Net Position - End of Year | <u>\$ 14,268,783</u> | <u>\$ 12,232,365</u> | <u>\$ 26,501,148</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Business-Type Activities - Enterprise Funds | | |
|--|--|--|---------------------|
| | Water Fund | Wastewater Pollution Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Charges for Services | \$ 2,816,817 | \$ 3,070,203 | \$ 5,887,020 |
| Cash Payments to Employees for Services | (1,104,872) | (768,943) | (1,873,815) |
| Cash Payments for Goods and Services | (1,641,633) | (719,338) | (2,360,971) |
| Net Cash Provided by Operating Activities | <u>70,312</u> | <u>1,581,922</u> | <u>1,652,234</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Tap-In Fees | 5,150 | 3,820 | 8,970 |
| Insurance Recoveries | 172,200 | - | 172,200 |
| Net Cash Provided by Noncapital Financing Activities | <u>177,350</u> | <u>3,820</u> | <u>181,170</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital Grants Received | 40,000 | - | 40,000 |
| Principal Paid on Debt | (20,752) | (398,261) | (419,013) |
| Interest Paid on Debt | (4,465) | (113,944) | (118,409) |
| Payments for Capital Acquisitions | (99,480) | (216,032) | (315,512) |
| Net Cash Used in Capital and Related Financing Activities | <u>(84,697)</u> | <u>(728,237)</u> | <u>(812,934)</u> |
| Net Increase in Cash and Cash Equivalents | 162,965 | 857,505 | 1,020,470 |
| Cash and Cash Equivalents - Beginning of Year | 1,138,118 | 3,192,731 | 4,330,849 |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,301,083</u> | <u>\$ 4,050,236</u> | <u>\$ 5,351,319</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | \$ (489,625) | \$ 996,826 | \$ 507,201 |
| Adjustments: | | | |
| Depreciation | 371,389 | 465,538 | 836,927 |
| (Increase) Decrease in Assets and Deferred Outflows of Resources: | | | |
| Accounts Receivable | (12,945) | (16,525) | (29,470) |
| Materials and Supplies Inventory | 43,512 | (8,460) | 35,052 |
| Net Pension Asset | (316) | (263) | (579) |
| Deferred Outflows of Resources - Pension | (118,710) | (98,526) | (217,236) |
| Increase (Decrease) in Liabilities and Deferred Inflows of Resources: | | | |
| Accounts Payable | (7,219) | 2,854 | (4,365) |
| Accrued Wages and Benefits | 2,843 | 877 | 3,720 |
| Intergovernmental Payable | (1,614) | (1,671) | (3,285) |
| Claims Payable | (11,650) | (13,518) | (25,168) |
| Compensated Absences Payable | 659 | 10,793 | 11,452 |
| Net Pension Liability | 303,574 | 251,955 | 555,529 |
| Deferred Inflows of Resources - Pension | (9,586) | (7,958) | (17,544) |
| Net Cash Provided by Operating Activities | <u>\$ 70,312</u> | <u>\$ 1,581,922</u> | <u>\$ 1,652,234</u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
DECEMBER 31, 2017**

| | Private Purpose Trusts | Agency Funds |
|---|---------------------------------------|-------------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 109,934 | \$ 26,539 |
| Cash and Cash Equivalents: | | |
| in Segregated Accounts | - | 4,497 |
| Accounts Receivable | - | 395 |
| Total Assets | 109,934 | \$ 31,431 |
| Liabilities | | |
| Undistributed Monies | - | 31,431 |
| Total Liabilities | - | \$ 31,431 |
| Net Position | | |
| Held in Trust for Perpetual Care and Other Purposes | 109,934 | |
| Total Net Position | \$ 109,934 | |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Private Purpose Trusts |
|--------------------------------------|---------------------------------------|
| Additions | |
| Interest Income | \$ 957 |
| Total Revenues | 957 |
| Change in Net Position | 957 |
| Net Position - Beginning of Year | 108,977 |
| Net Position - End of Year | \$ 109,934 |

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

Notes to the Basic Financial Statements

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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

Governmental Funds

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

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

Parks and Recreation Fund - The Parks and Recreation fund is used to account for all financial resources that support the recreation department, building, grounds and parks.

Capital Improvement Fund - The Capital Improvement fund is used to account for capital improvements throughout the City.

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

Proprietary Funds

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

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

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the year for which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, state levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees, rentals, and miscellaneous account revenue.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding and for pension reported in the government-wide Statement of Net Position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds' balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amount became available. The deferred inflows of resources related to pension are reported on the government-wide statement of net position and are explained in Note 14.

Expenses/Expenditures

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget

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

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, for the period January 1 to December 31 of the following year. This requirement was waived by the Sandusky County Auditor for calendar year 2017. All City funds are legally required to be budgeted. The purpose of the tax budget is to reflect the need for existing or increased tax rate.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

Annual Budget

The City Auditor submits a temporary budget in November and an annual “permanent” budget to Council in February. The annual budget contains an estimate of the revenues and expenditures of each fund and department of the City for the next fiscal year. As part of the process, Council holds public meetings throughout its review. The annual budget serves as the basis for appropriations (the appropriated budget) in each fund.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (Continued)

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to constrain that portion of the applicable appropriation and to determine and maintain legal compliance.

Lapsing of Appropriations

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

F. Equity in Pooled Cash and Cash Equivalents and Investments

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

During 2017, investments were limited to STAR Ohio, the State Treasurer's investment pool. The City's investment in State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the City. The city measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during year 2017 amounted to \$82,654, which included \$57,940 assigned from other funds of the City.

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

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

G. Inventories

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

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

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the government funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$7,500. The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Improvements are capitalized; and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

L. Pensions

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

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

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

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

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

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

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

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

N. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

O. Operating Revenues and Expenses

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Interfund Activity

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

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

Q. Estimates

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

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on City's beginning net position.

NOTE 4: BUDGET BASIS OF ACCOUNTING

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

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 4: BUDGET BASIS OF ACCOUNTING (Continued)

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

| Net Change in Fund Balance | | |
|-----------------------------------|------------|-------------------------|
| | General | Parks and Recreation |
| GAAP Basis | \$ 412,702 | \$ 42,241 |
| Increase (Decrease) Due to: | | |
| Revenue Accruals | (11,249) | (1,057) |
| Expenditure Accruals | (26,296) | 9,656 |
| Outstanding Encumbrances | (65,033) | (12,783) |
| Budgetary Basis | \$ 310,124 | \$ 38,057 |

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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);
7. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;
8. High grade commercial paper in an amount not to exceed five percent of the City's total average portfolio;
9. Bankers' acceptances and commercial paper notes in an amount not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the City's total average portfolio; and
10. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

Cash On Hand

At year-end, \$1,130 was on hand throughout the City in the form of drawer change and petty cash.

Deposits

At year-end, the carrying amount of the City's deposits was \$1,457,918 and the bank balance was \$1,842,741. Of the total bank balance, \$391,633 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$1,451,108 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover the deposits. Although all statutory requirements for the deposit of money have been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

Statutes authorize the City to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, and repurchase agreements. STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The following table identify the City's recurring fair value measurement as of December 31, 2017. As previously discussed, Star Ohio is reported at its net asset value.

| <u>Investment Type</u> | <u>Investment Maturity (In Years)</u> | <u>Credit Rating</u> | <u>Net Asset Value</u> |
|--------------------------|---|--------------------------|----------------------------|
| STAR Ohio | < 3 months | AAAm | \$8,316,859 |
| Total Investments | | | \$8,316,859 |

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

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

| | <u>Reconciliation to the Statement of Net Position</u> |
|------------------------------|--|
| City's Deposits | \$1,457,918 |
| Petty Cash and Drawer Change | 1,130 |
| Investments | 8,316,859 |
| Total | \$9,775,907 |

Per Statement of Net Position

| | |
|--|--------------------|
| Government-wide Statement of Net Position: | |
| Equity in Pooled Cash and Cash Equivalents | \$9,631,880 |
| Cash and Cash Equivalents in Segregated Accounts | 3,057 |
| Statement of Fiduciary Net Position: | |
| Equity in Pooled Cash and Cash Equivalents | 136,473 |
| Cash and Cash Equivalents in Segregated Accounts | 4,497 |
| Total | \$9,775,907 |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 6: RECEIVABLES

Receivables at December 31, 2017, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements, shared revenues, accounts, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2017, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2017 real property taxes are collected in and intended to finance 2018.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$6.60 per \$1,000 of assessed value. The 2016 assessed values of real estate and public utility property upon which the 2017 property tax receipts were based on are as follows:

| | <u>Sandusky County</u> | <u>Huron County</u> | <u>Erie County</u> |
|---------------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| Real Estate: | | | |
| Residential/Agricultural | \$53,723,360 | \$34,916,850 | \$195,670 |
| Commercial/Industrial | <u>21,569,280</u> | <u>15,548,060</u> | <u>0</u> |
| Total Real Estate | <u>75,292,640</u> | <u>50,464,910</u> | <u>195,670</u> |
| Public Utility: | | | |
| Real | 17,290 | 7,553,440 | 0 |
| Personal | <u>2,095,610</u> | <u>3,667,020</u> | <u>0</u> |
| Total Public Utility | <u>2,112,900</u> | <u>11,220,460</u> | <u>0</u> |
| Total Assessed Valuation | <u><u>\$77,405,540</u></u> | <u><u>\$61,685,370</u></u> | <u><u>\$195,670</u></u> |

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 6: RECEIVABLES (Continued)

Property Taxes (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.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellevue. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real property, tangible personal property, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor were they levied to finance 2017 operations.

Income Taxes

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

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

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

Intergovernmental Receivable

A summary of intergovernmental receivable follows:

| <u>Governmental Activities</u> | <u>Amounts</u> |
|--|---------------------------------|
| Local Government and Local Government Revenue Assistance | \$ 85,990 |
| Homestead and Rollback | 33,973 |
| Gasoline Tax | 147,269 |
| Motor Vehicle License Fees | 36,342 |
| Permissive Motor Vehicle License Tax | 3,104 |
| Total | <u><u>\$ 306,678</u></u> |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 7: REVOLVING LOAN PROGRAM

The revolving loan program offers incentives in the form of low-interest revolving loans, deferred loan payments, and interest and tax abatements which are offered to attract prospective firms. The City loans money for the purchase or improvement of industrial sites. The following notes receivable are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2017 were as follows:

| | Rate | Beginning Balance 2016 | Issuance | Paid | Ending Balance 2017 |
|-----------------|------|------------------------------|-------------|------------------|---------------------------|
| Shear Illusions | 5% | \$68 | \$0 | \$68 | \$0 |
| Selbro, Inc. | 3% | 56,346 | - | 11,185 | 45,161 |
| A La Chic | 3% | 20,106 | - | 2,797 | 17,309 |
| | | <u>\$ 76,520</u> | <u>\$ -</u> | <u>\$ 14,050</u> | <u>\$ 62,470</u> |

NOTE 8: RISK MANAGEMENT

The City provides employee medical/vision/prescription drug benefits through a self-insured plan. The plan provides medical/vision/prescription drug benefits, which are 100 percent paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible, followed by a 10 percent employee co-payment. A third party administrator, Klais & Company, Inc., Akron, Ohio, reviews, processes, and pays all claims. The City purchased stop-loss coverage of \$500,000 per individual from Sun Life through OME-RESA Health Benefits. There is an internal pool from \$35,000 to \$499,999 for stop loss coverage. The premiums are paid by the fund that paid the salary for the employee and is based on historical cost information.

The liability for unpaid claims of \$65,133 reported in the fund at December 31, 2017, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in the City's claims liability amount in 2016 and 2017 were as follows:

| | Beginning of Year | Claims | Claim Payments | End of Year |
|------|----------------------|-----------|-------------------|----------------|
| 2016 | \$71,012 | \$778,193 | (\$705,191) | \$144,014 |
| 2017 | 144,014 | 731,829 | (810,710) | 65,133 |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 8: RISK MANAGEMENT (Continued)

The City is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the City contracted with USI Insurance Services, LLC. for property, fleet, crime, and liability insurance which are insured through Argonaut Insurance Group. Coverage provided is as follows:

| | | |
|---------------------------------------|--------------------------------------|---------------|
| Building and Contents- | | |
| Replacement Cost | \$2,500 Deductible, 90% Co-Insured | \$ 48,745,380 |
| Commercial General Liability: | Aggregate | 3,000,000 |
| | Per Occurrence Limit | 1,000,000 |
| Public Officials Liability: | Aggregate | 2,000,000 |
| | Each Claim | 1,000,000 |
| Employment Practices: | Aggregate | 2,000,000 |
| | Each Claim | 1,000,000 |
| Law Enforcement | Aggregate | 2,000,000 |
| | Each Claim (\$5,000 Deductible) | 1,000,000 |
| Automobile: | | |
| Comprehensive | \$500 Deductible | 1,000,000 |
| Collision | \$500 Deductible | 1,000,000 |
| Inland Marine | \$500 Deductible | 2,142,926 |
| Public Employee Dishonesty | \$500 Deductible/Per Loss | 50,000 |
| Forgery or Alteration | \$250 Deductible/Per Loss | 5,000 |
| Theft, Disappearance, and Destruction | \$250 Deductible, Inside and Outside | 5,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from last year.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017:

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Governmental Activities | | | | |
| <i>Capital Assets Not Being Depreciated</i> | | | | |
| Land | \$ 1,187,575 | \$ - | \$ - | \$ 1,187,575 |
| Construction in Progress | 135,500 | 1,060,461 | - | 1,195,961 |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>1,323,075</u> | <u>1,060,461</u> | <u>-</u> | <u>2,383,536</u> |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Land Improvements | 119,532 | - | - | 119,532 |
| Buildings and Improvements | 6,328,055 | 51,390 | - | 6,379,445 |
| Furniture, Fixtures, and Equipment | 1,680,685 | - | - | 1,680,685 |
| Vehicles | 2,762,907 | - | - | 2,762,907 |
| Infrastructure: | | | | |
| Street Base | 3,575,809 | - | - | 3,575,809 |
| Street Surface | 7,163,300 | 1,095,297 | (343,520) | 7,915,077 |
| Street Storm Sewers | 1,272,027 | - | - | 1,272,027 |
| Street Lighting | 2,667,190 | - | - | 2,667,190 |
| Culverts | 63,266 | - | - | 63,266 |
| <i>Total Capital Assets Being Depreciated</i> | <u>25,632,771</u> | <u>1,146,687</u> | <u>(343,520)</u> | <u>26,435,938</u> |
| <i>Total Capital Assets at Cost</i> | <u>26,955,846</u> | <u>2,207,148</u> | <u>(343,520)</u> | <u>28,819,474</u> |
| Less: Accumulated Depreciation: | | | | |
| Land Improvements | (95,405) | (1,662) | - | (97,067) |
| Buildings and Improvements | (4,006,580) | (142,834) | - | (4,149,414) |
| Furniture, Fixtures, and Equipment | (639,280) | (125,037) | - | (764,317) |
| Vehicles | (2,235,337) | (125,741) | - | (2,361,078) |
| Infrastructure: | | | | |
| Street Base | (1,667,116) | (44,698) | - | (1,711,814) |
| Street Surface | (3,418,029) | (300,715) | 154,470 | (3,564,274) |
| Street Storm Sewers | (522,073) | (15,900) | - | (537,973) |
| Street Lighting | (1,518,704) | (133,360) | - | (1,652,064) |
| Culverts | (395) | (791) | - | (1,186) |
| Total Accumulated Depreciation | <u>(14,102,919)</u> | <u>(890,738)</u> * | <u>154,470</u> | <u>(14,839,187)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>11,529,852</u> | <u>255,949</u> | <u>(189,050)</u> | <u>11,596,751</u> |
| Total Governmental Activities | | | | |
| Capital Asset, Net | <u>\$ 12,852,927</u> | <u>\$ 1,316,410</u> | <u>\$ (189,050)</u> | <u>\$ 13,980,287</u> |

*Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|-------------------|
| General Government - Legislative | \$ 165,321 |
| General Government - Judicial | 791 |
| Security of Persons and Property | 132,823 |
| Public Health and Welfare | 1,150 |
| Transportation | 525,992 |
| Leisure Time Activities | 64,661 |
| Total Depreciation Expense | <u>\$ 890,738</u> |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 9: CAPITAL ASSETS (Continued)

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 |
|---|-----------------------|---------------------|-------------|-----------------------|
| <u>Business-Type Activities - Water Fund:</u> | | | | |
| <i>Capital Assets Not Being Depreciated</i> | | | | |
| Land | \$ 1,781,297 | \$ - | \$ - | \$ 1,781,297 |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>1,781,297</u> | <u>-</u> | <u>-</u> | <u>1,781,297</u> |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Land Improvements | 20,297 | - | - | 20,297 |
| Buildings and Improvements | 8,634,355 | - | - | 8,634,355 |
| Furniture, Fixtures, and Equipment | 518,077 | 99,480 | - | 617,557 |
| Vehicles | 446,787 | - | - | 446,787 |
| Infrastructure | 11,274,238 | - | - | 11,274,238 |
| <i>Total Capital Assets Being Depreciated</i> | <u>20,893,754</u> | <u>99,480</u> | <u>-</u> | <u>20,993,234</u> |
| <i>Total Capital Assets at Cost</i> | <u>22,675,051</u> | <u>99,480</u> | <u>-</u> | <u>22,774,531</u> |
| Less: Accumulated Depreciation: | | | | |
| Land Improvements | (6,089) | (1,353) | - | (7,442) |
| Buildings and Improvements | (5,415,284) | (124,991) | - | (5,540,275) |
| Furniture, Fixtures, and Equipment | (220,124) | (45,183) | - | (265,307) |
| Vehicles | (224,601) | (70,835) | - | (295,436) |
| Infrastructure | (3,137,723) | (129,027) | - | (3,266,750) |
| <i>Total Accumulated Depreciation</i> | <u>(9,003,821)</u> | <u>(371,389)</u> | <u>-</u> | <u>(9,375,210)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>11,889,933</u> | <u>(271,909)</u> | <u>-</u> | <u>11,618,024</u> |
| Total Business-Type Activities | | | | |
| Capital Assets - Water Fund, Net | <u>\$ 13,671,230</u> | <u>\$ (271,909)</u> | <u>\$ -</u> | <u>\$ 13,399,321</u> |
| <u>Business-Type Activities - Wastewater Pollution Fund:</u> | | | | |
| <i>Capital Assets Not Being Depreciated</i> | | | | |
| Land | \$ 418,915 | \$ - | \$ - | \$ 418,915 |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>418,915</u> | <u>-</u> | <u>-</u> | <u>418,915</u> |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Land Improvements | 575,850 | - | - | 575,850 |
| Buildings and Improvements | 8,084,813 | 60,377 | - | 8,145,190 |
| Furniture, Fixtures, and Equipment | 1,816,047 | 91,827 | - | 1,907,874 |
| Vehicles | 352,895 | 30,635 | - | 383,530 |
| Infrastructure | 8,945,393 | 33,193 | - | 8,978,586 |
| <i>Total Capital Assets Being Depreciated</i> | <u>19,774,998</u> | <u>216,032</u> | <u>-</u> | <u>19,991,030</u> |
| <i>Total Capital Assets at Cost</i> | <u>20,193,913</u> | <u>216,032</u> | <u>-</u> | <u>20,409,945</u> |
| Less: Accumulated Depreciation: | | | | |
| Land Improvements | (139,628) | (15,767) | - | (155,395) |
| Buildings and Improvements | (2,540,689) | (196,244) | - | (2,736,933) |
| Furniture, Fixtures, and Equipment | (1,206,842) | (79,217) | - | (1,286,059) |
| Vehicles | (167,736) | (62,260) | - | (229,996) |
| Infrastructure | (3,148,244) | (112,050) | - | (3,260,294) |
| <i>Total Accumulated Depreciation</i> | <u>(7,203,139)</u> | <u>(465,538)</u> | <u>-</u> | <u>(7,668,677)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>12,571,859</u> | <u>(249,506)</u> | <u>-</u> | <u>12,322,353</u> |
| Total Business-Type Activities | | | | |
| Capital Assets - Wastewater Pollution, Net | <u>\$ 12,990,774</u> | <u>\$ (249,506)</u> | <u>\$ -</u> | <u>\$ 12,741,268</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 26,662,004</u> | <u>\$ (521,415)</u> | <u>\$ -</u> | <u>\$ 26,140,589</u> |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 10: COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment become probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at 90 percent, up to 40 hours per year, provided the total accrued and unused sick leave hours does not fall below a certain minimum hours specified in the union contract. Employees, other than police patrolmen, who have one year of service, are entitled to receive pay for all accrued but unused sick leave upon resignation or retirement at 90 percent of the value. At December 31, 2017, a liability has been recognized in the accompanying financial statements for sick leave for employees (other than police officers) who have one year of service at 90 percent of the current value of the sick leave earned, except for those with years of service making them eligible for retirement, for which 100 percent of the current value of the sick leave balances have been used.

A liability for accrued compensatory time, holiday, personal leave, and vacation for \$211,234 has been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts. Vacation leave may be accumulated up to a maximum of three times the employee's annual vacation allowance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 11: LONG TERM LIABILITIES

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 | Due Within One Year |
|--|-----------------------|-------------------|-------------------|-----------------------|---------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| \$1,110,000 Municipal Building 2012 1.00% - 2.25% | \$ 430,000 | \$ - | \$ 140,000 | \$ 290,000 | \$ 145,000 |
| Unamortized Bond Premium | 185 | - | 57 | 128 | - |
| Total General Obligation Bonds | <u>430,185</u> | <u>-</u> | <u>140,057</u> | <u>290,128</u> | <u>145,000</u> |
| Net Pension Liability | | | | | |
| OPERS | 1,874,410 | 650,570 | - | 2,524,980 | - |
| OP&F | 3,369,042 | - | 231,480 | 3,137,562 | - |
| Total Net Pension Liability | <u>5,243,452</u> | <u>650,570</u> | <u>231,480</u> | <u>5,662,542</u> | <u>-</u> |
| Compensated Absences | 362,667 | 169,668 | 131,771 | 400,564 | 128,609 |
| Total Government Activities | <u>\$ 6,036,304</u> | <u>\$ 820,238</u> | <u>\$ 503,308</u> | <u>\$ 6,353,234</u> | <u>\$ 273,609</u> |

continued

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 11: LONG TERM LIABILITIES (Continued)

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 | Due Within One Year |
|--|-----------------------|-------------------|-------------------|-----------------------|---------------------------|
| Business-Type Activities: | | | | | |
| O.W.D.A Loan: | | | | | |
| \$7,627,918 WWTP Improvement | \$ 4,472,910 | \$ - | \$ 377,510 | \$ 4,095,400 | \$ 387,007 |
| <i>Total O.W.D.A Loan</i> | <u>4,472,910</u> | <u>-</u> | <u>377,510</u> | <u>4,095,400</u> | <u>387,007</u> |
| Capitalized Lease Agreement: | | | | | |
| \$426,371 Vactor Truck, 2015 | 335,602 | - | 41,503 | 294,099 | 41,503 |
| Net Pension Liability - OPERS | 1,600,580 | 555,529 | - | 2,156,109 | - |
| Compensated Absences | 200,931 | 80,822 | 69,370 | 212,383 | 82,625 |
| <i>Total Business-Type Activities</i> | <u>\$ 6,610,023</u> | <u>\$ 636,351</u> | <u>\$ 488,383</u> | <u>\$ 6,757,991</u> | <u>\$ 511,135</u> |

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

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

The outstanding O.W.D.A. 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 Wastewater Pollution fund.

See note 12 and 14 for further information regarding the capital lease and net pension liability.

The annual requirements to amortize all debts outstanding as of December 31, 2017 are as follows:

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 11: LONG TERM LIABILITIES (Continued)

| Year | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|-----------|---------------------------------|-----------------|---------------------------------|-------------------|
| | <u>General Obligation Bonds</u> | | <u>OWDA Loans</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 145,000 | \$ 6,163 | \$ 387,007 | \$ 99,981 |
| 2019 | 145,000 | 3,263 | 396,742 | 90,246 |
| 2020 | - | - | 406,723 | 80,265 |
| 2021 | - | - | 416,954 | 70,033 |
| 2022 | - | - | 427,443 | 59,544 |
| 2023-2027 | - | - | 2,060,531 | 130,916 |
| Totals | <u>\$ 290,000</u> | <u>\$ 9,426</u> | <u>\$ 4,095,400</u> | <u>\$ 530,985</u> |

NOTE 12: CAPITAL LEASE

In prior years, the City entered into a lease agreement as lessee for financing the acquisition of a Vactor Truck. The lease agreement qualified as a capital lease for accounting purposes (title transferable at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The cost of this capital lease is included in the business-type activities. The original cost of the asset acquired under capital lease and included in the governmental activities was \$426,371 and the net book value at December 31, 2017 was \$223,845. The following is a schedule of the future minimum lease payments for capital leases and the present value of net minimum lease payments as of December 31, 2017:

| <u>Year</u> | <u>Payments</u> |
|--------------------------------------|-------------------|
| 2018 | 50,434 |
| 2019 | 50,434 |
| 2020 | 213,186 |
| Total Minimum Lease Pmts. | 314,054 |
| Less: Amount Representing Interest | (19,955) |
| Present Value of Minimum Lease Pmts. | <u>\$ 294,099</u> |

NOTE 13: CONDUIT DEBT

To provide for the acquisition, construction, and equipping of a replacement acute care hospital in the City and other hospital facilities, the City issued Hospital Revenue Bonds dated August 26, 2004. These bonds are special limited obligations of the City, payable solely from the revenues, as defined in the Bond Indenture, and other amounts derived from its ownership, leasing, sale, or subleasing of the existing facilities. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. In February 2012, the City refunded the old issue of \$8,474,000 for refunding bonds of \$8,310,000 for the purpose of reducing the interest that would be paid from 9 percent to 5.75 percent. As of December 31, 2017, Hospital Facilities Revenue Bonds outstanding aggregated \$7,930,000.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS

Net Pension Liability and Net Pension Asset

The net pension liability/(asset) reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2017 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2017 Actual Contribution Rates | |
| Employer: | |
| Pension | 13.0 % |
| Post-employment Health Care Benefits | 1.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$356,613 for 2017. Of this amount, \$27,463 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>Police</u> | <u>Firefighters</u> |
|--|----------------|---------------------|
| 2017 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2017 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee | 12.25 % | 12.25 % |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$221,623 for 2017. Of this amount, \$21,073 is reported as an intergovernmental payable.

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS Traditional Pension Plan | OPERS Combined Pension Plan | OP&F Police | OP&F Fire | Total |
|---|--------------------------------------|-----------------------------------|-------------------|-------------------|--------------|
| Proportion of the Net Pension Liability/Asset Prior Measurement Date | 0.020062% | 0.015380% | 0.036118% | 0.016252% | |
| Proportion of the Net Pension Liability/Asset Current Measurement Date | <u>0.020614%</u> | <u>0.015706%</u> | <u>0.034566%</u> | <u>0.014970%</u> | |
| Change in Proportionate Share | <u>0.000552%</u> | <u>0.000326%</u> | <u>-0.001552%</u> | <u>-0.001282%</u> | |
| Proportionate Share of the Net Pension Liability/(Asset) | \$ 4,681,089 | \$ (8,741) | \$ 2,189,405 | \$ 948,157 | \$ 7,809,910 |
| Pension Expense | \$ 1,045,476 | \$ 6,248 | \$ 281,607 | \$ 109,535 | \$ 1,442,866 |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS Traditional Pension Plan | OPERS Combined Plan | OP&F Police | OP&F Fire | Total |
|---|--------------------------------------|---------------------------|------------------|------------------|--------------------|
| Deferred Outflows of Resources | | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$697,121 | \$2,133 | \$212,911 | \$92,203 | \$1,004,368 |
| Changes of assumptions | 742,477 | 2,131 | 0 | 0 | 744,608 |
| Differences between expected and actual experience | 6,345 | 0 | 620 | 268 | 7,233 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 82,281 | 54 | 103,177 | 13,379 | 198,891 |
| City contributions subsequent to the measurement date | 349,206 | 7,407 | 148,480 | 73,143 | 578,236 |
| Total Deferred Outflows of Resources | \$1,877,430 | \$11,725 | \$465,188 | \$178,993 | \$2,533,336 |
| Deferred Inflows of Resources | | | | | |
| Differences between expected and actual experience | \$27,859 | \$4,473 | \$5,041 | \$2,183 | \$39,556 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 0 | 137 | 70,117 | 57,958 | 128,212 |
| Total Deferred Inflows of Resources | \$27,859 | \$4,610 | \$75,158 | \$60,141 | \$167,768 |

\$578,236 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS Traditional Pension Plan | OPERS Combined Plan | OP&F Police | OP&F Fire | Total |
|--------------------------|--------------------------------------|---------------------------|------------------|-----------------|--------------------|
| Year Ending December 31: | | | | | |
| 2018 | \$637,743 | \$406 | \$91,672 | \$26,820 | \$756,641 |
| 2019 | 633,328 | 407 | 91,673 | 26,818 | \$752,226 |
| 2020 | 249,730 | 313 | 72,378 | 18,465 | \$340,886 |
| 2021 | (20,436) | (441) | (3,632) | (14,456) | (\$38,965) |
| 2022 | 0 | (362) | (9,179) | (10,803) | (20,344) |
| Thereafter | 0 | (615) | (1,362) | (1,135) | (3,112) |
| Total | \$1,500,365 | (\$292) | \$241,550 | \$45,709 | \$1,787,332 |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

| | |
|---|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation COLA or Ad Hoc COLA | 3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple |
| Investment Rate of Return | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age |

The total pension asset in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation COLA or Ad Hoc COLA | 3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple |
| Investment Rate of Return | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------|------------------------------|---|
| Fixed Income | 23.00 % | 2.75 % |
| Domestic Equities | 20.70 | 6.34 |
| Real Estate | 10.00 | 4.75 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | <u>100.00 %</u> | <u>5.66 %</u> |

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability(asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

| <u>City's proportionate share of the net pension liability/(asset)</u> | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|--|--------------------------------|--|--------------------------------|
| Traditional Pension Plan | \$7,151,409 | 4,681,089 | \$2,622,513 |
| Combined Plan | \$628 | (8,741) | (\$16,020) |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

| | |
|----------------------------|--------------------------------------|
| Valuation Date | January 1, 2016 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.60 percent and 3.00 percent Simple |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10 year Expected Real Rate of Return **</u> | <u>30 year Expected Real Rate of Return **</u> |
|------------------------------|------------------------------|--|--|
| Cash and Cash Equivalents | - % | | |
| Domestic Equity | 16.00 | 4.46 % | 5.21 % |
| Non-US Equity | 16.00 | 4.66 | 5.40 |
| Core Fixed Income * | 20.00 | 1.67 | 2.37 |
| Global Inflation Protected * | 20.00 | 0.49 | 2.33 |
| High Yield | 15.00 | 3.33 | 4.48 |
| Real Estate | 12.00 | 4.71 | 5.65 |
| Private Markets | 8.00 | 7.31 | 7.99 |
| Timber | 5.00 | 6.87 | 6.87 |
| Master Limited Partnerships | 8.00 | 6.92 | 7.36 |
| Total | <u>120.00 %</u> | | |

* levered 2x

** numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 4,178,859 | \$ 3,137,562 | \$ 2,255,046 |

Changes Between Measurement Date and Report Date In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which fund multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Accounts (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.00 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.00 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.00 percent.

The City's actual employer contributions for December 31, 2017, 2016 and 2015 which were used to fund post-employment benefits were \$27,514, \$54,652, and \$49,544, respectively; 92.87 percent has been contributed for 2017 and 100 percent for 2016 and 2015.

Ohio Police and Fire Pension Fund

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS (Continued)

Ohio Police and Fire Pension Fund (Continued)

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS (Continued)

Ohio Police and Fire Pension Fund (Continued)

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for the year ending December 31, 2017, 2016, 2015 were \$3,907, \$4,153 and \$4,092 for police officers and \$1,556, \$1,464 and \$1,488 for firefighters, respectively, or 90.87 percent and 90.42 percent, respectively, have been contributed for 2017 and 100 percent of the required contributions for 2016 and 2015.

NOTE 16: COMMITMENTS

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

Significant encumbrances as of December 31, 2017 were:

| Fund | Outstanding Encumbrances |
|------------------------------|-------------------------------------|
| Major Governmental Funds: | |
| General | \$ 46,051 |
| Parks and Recreation | 1,666 |
| Capital Improvement | 101,329 |
| Non-major Governmental Funds | 473 |
| | \$ 149,519 |

NOTE 17: CONTINGENT LIABILITIES

A. Federal and State Grants

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

B. Litigation

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

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 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.

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**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 19: FUND BALANCES

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

| Fund Balances | General | Parks and Recreation | Capital Improvement | Other Governmental Funds | Total |
|---------------------------------|---------------------|----------------------------|------------------------|--------------------------------|---------------------|
| <i>Nonspendable</i> | | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ 34,569 | \$ 34,569 |
| <i>Total Nonspendable</i> | - | - | - | 34,569 | 34,569 |
| <i>Restricted for</i> | | | | | |
| Parks and Recreation | - | 240,144 | - | - | 240,144 |
| Police Pension | - | - | - | 14,446 | 14,446 |
| Fire Pension | - | - | - | 14,468 | 14,468 |
| Firefighter Grant | - | - | - | 26 | 26 |
| Law Enforcement | - | - | - | 45,668 | 45,668 |
| Street Construction | - | - | - | 161,131 | 161,131 |
| State Highway Improvements | - | - | - | 69,067 | 69,067 |
| Motor Vehicle License | - | - | - | 115,983 | 115,983 |
| Cemetery | - | - | - | 25,098 | 25,098 |
| EMS Contract | - | - | - | 418,736 | 418,736 |
| Clerk of Court Computer | - | - | - | 46,977 | 46,977 |
| Railroad Crossing Improvement | - | - | - | 94,304 | 94,304 |
| Revolving Loans | - | - | - | 480,760 | 480,760 |
| Capital Improvement | - | - | 312,204 | - | 312,204 |
| Street Sweeper | - | - | - | 22,175 | 22,175 |
| Elm Street Drainage | - | - | - | 82,943 | 82,943 |
| Special Fire Equipment | - | - | - | 571,542 | 571,542 |
| Storm Water Pump Station | - | - | - | 59,781 | 59,781 |
| Probation Service | - | - | - | 29,707 | 29,707 |
| Bellevue Central Park | - | - | - | 35,991 | 35,991 |
| Police Training | - | - | - | 9,420 | 9,420 |
| Special Assessment Sewer | - | - | - | 19,349 | 19,349 |
| Special Assessment Water Main | - | - | - | 4,027 | 4,027 |
| Paving Projects | - | - | - | 217,691 | 217,691 |
| K-9 Unit | 32,104 | - | - | - | 32,104 |
| <i>Total Restricted</i> | 32,104 | 240,144 | 312,204 | 2,539,290 | 3,123,742 |
| <i>Assigned to</i> | | | | | |
| Fiscal Year 2018 Appropriations | 758,691 | - | - | - | 758,691 |
| Purchases on Orders | 46,051 | - | - | - | 46,051 |
| <i>Total Assigned</i> | 804,742 | - | - | - | 804,742 |
| <i>Unassigned</i> | | | | | |
| | 913,679 | - | - | - | 913,679 |
| Total Fund Balances | \$ 1,750,525 | \$ 240,144 | \$ 312,204 | \$ 2,573,859 | \$ 4,876,732 |

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 20: INTERFUND TRANSFERS

The following interfund transfers were made during 2017:

| | <u>Transfers Out</u> | <u>Transfers In</u> |
|--|-----------------------|-----------------------|
| <i>Major Funds:</i> | | |
| General Fund | \$ 533,963 | \$ - |
| Capital Improvement Fund | - | 125,000 |
| <i>Total Major Funds</i> | 533,963 | 125,000 |
| <i>Nonmajor Governmental Funds:</i> | | |
| <i>Special Revenue Funds:</i> | | |
| Cemetery Fund | - | 100,000 |
| Police Pension Fund | - | 120,000 |
| Fire Pension Fund | - | 35,000 |
| <i>Total Special Revenue Funds</i> | - | 255,000 |
| <i>Debt Service Funds:</i> | | |
| G.O. Bond Retirement Fund | - | 148,963 |
| <i>Total Debt Service Funds:</i> | - | 148,963 |
| <i>Capital Project Funds:</i> | | |
| Street Sweeper Fund | - | 5,000 |
| <i>Total Capital Project Funds</i> | - | 5,000 |
| <i>Total Nonmajor Governmental Funds</i> | - | 408,963 |
| Total Transfers | \$ 533,963 | \$ 533,963 |

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

NOTE 21: TAX ABATEMENTS

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area in 1978. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. Since that time additional land has been added. In 2016, any remaining land not already included in an area was added so that all land within the City was deemed to be a Community Reinvestment Area. The total CRA real property taxes exempted for the 87 active CRA agreements is approximately \$86,000.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1)**

| Traditional Plan | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.020614% | 0.020062% | 0.019236% | 0.019236% |
| City's Proportionate Share of the Net Pension Liability | \$4,681,089 | \$3,474,990 | \$2,320,076 | \$2,267,674 |
| City's Covered Payroll | \$2,664,350 | \$2,496,950 | \$2,366,150 | \$2,321,977 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 175.69% | 139.17% | 98.05% | 97.66% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.25% | 81.08% | 86.45% | 86.36% |
| Combined Plan | 2017 | 2016 | 2015 | 2014 |
| City's Proportion of the Net Pension (Asset) | 0.015706% | 0.015380% | 0.015611% | 0.015611% |
| City's Proportionate Share of the Net Pension (Asset) | (\$8,741) | (\$7,485) | (\$6,010) | (\$1,638) |
| City's Covered Payroll | \$61,142 | \$55,967 | \$57,492 | \$56,369 |
| City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll | 14.30% | 13.37% | 10.45% | 2.91% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) | 116.55% | 116.90% | 114.83% | 104.33% |

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST FOUR YEARS (1)**

| Police | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.034566% | 0.036118% | 0.033121% | 0.033121% |
| City's Proportionate Share of the Net Pension Liability | \$2,189,405 | \$2,323,519 | \$1,715,790 | \$1,613,082 |
| City's Covered Payroll | \$830,584 | \$818,342 | \$729,516 | \$869,453 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 263.60% | 283.93% | 235.20% | 185.53% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.36% | 66.77% | 71.71% | 73.00% |
| Fire | 2017 | 2016 | 2015 | 2014 |
| City's Proportion of the Net Pension Liability | 0.014970% | 0.016252% | 0.015864% | 0.015864% |
| City's Proportionate Share of the Net Pension Liability | \$948,157 | \$1,045,523 | \$821,801 | \$772,607 |
| City's Covered Payroll | \$292,787 | \$297,596 | \$282,502 | \$379,679 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 323.84% | 351.32% | 290.90% | 203.49% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.36% | 66.77% | 71.71% | 73.00% |

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE YEARS (1)**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>Contractually Required Contributions</u> | | | | | |
| Traditional Plan | 349,206 | 319,722 | 299,634 | 283,938 | 301,857 |
| Combined Plan | <u>7,407</u> | <u>7,337</u> | <u>6,716</u> | <u>6,899</u> | <u>7,328</u> |
| Total Required Contributions | \$356,613 | \$327,059 | \$306,350 | \$290,837 | \$309,185 |
| Contributions in Relation to the Contractually Required Contribution | <u>(\$356,613)</u> | <u>(\$327,059)</u> | <u>(\$306,350)</u> | <u>(\$290,837)</u> | <u>(\$309,185)</u> |
| Contribution Deficiency / (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City's Covered Payroll | | | | | |
| Traditional Plan | \$2,686,200 | \$2,664,350 | \$2,496,950 | \$2,366,150 | \$2,321,977 |
| Combined Plan | \$56,977 | \$61,142 | \$55,967 | \$57,492 | \$56,369 |
| <u>Pension Contributions as a Percentage of Covered Payroll</u> | | | | | |
| Traditional Plan | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% |
| Combined Plan | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% |

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND
LAST TEN YEARS**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Contractually Required Contributions</u> | | | | | | | | | | |
| Police | \$148,480 | \$157,811 | \$155,485 | \$138,608 | \$136,765 | \$129,622 | \$111,015 | \$132,106 | \$131,578 | \$130,549 |
| Fire | \$73,143 | \$68,805 | \$69,935 | \$66,388 | \$76,809 | \$68,110 | \$71,147 | \$71,147 | \$93,998 | \$113,245 |
| Total Required Contributions | \$221,623 | \$226,616 | \$225,420 | \$204,996 | \$213,574 | \$197,732 | \$182,162 | \$203,253 | \$225,576 | \$243,794 |
| Contributions in Relation to the Contractually Required Contribution | (\$221,623) | (\$226,616) | (\$225,420) | (\$204,996) | (\$213,574) | (\$197,732) | (\$182,162) | (\$203,253) | (\$225,576) | (\$243,794) |
| Contribution Deficiency / (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City's Covered Payroll | | | | | | | | | | |
| Police | \$781,474 | \$830,584 | \$818,342 | \$729,516 | \$869,453 | \$1,016,643 | \$870,706 | \$1,036,125 | \$1,031,984 | \$1,023,914 |
| Fire | \$311,247 | \$292,787 | \$297,596 | \$282,502 | \$379,679 | \$394,841 | \$412,446 | \$412,446 | \$544,916 | \$656,493 |
| <u>Pension Contributions as a Percentage of Covered Payroll</u> | | | | | | | | | | |
| Police | 19.00% | 19.00% | 19.00% | 19.00% | [1] | 12.75% | 12.75% | 12.75% | 12.75% | 12.75% |
| Fire | 23.50% | 23.50% | 23.50% | 23.50% | [1] | 17.25% | 17.25% | 17.25% | 17.25% | 17.25% |

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

**CITY OF BELLEVUE
HURON COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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CITY OF BELLEVUE, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR
PASS THROUGH GRANTOR

| Program Title | Award Number | CFDA Number | Federal Expenditures |
|--|---------------------|------------------------|---------------------------------|
| U.S. Department of Transportation | | | |
| Passed through Ohio Department of Transportation (ODOT): | | | |
| Highway Planning and Construction Cluster: | | | |
| San-Northcoast Inland Trail-Bellevue | PID 97374 | 20.205 | \$ 848,369 |
| Total U.S. Department of Transportation | | | 848,369 |
| Total Expenditures of Federal Awards | | | \$ 848,369 |

CFDA – Catalog of Federal Domestic Assistance

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Bellevue under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Uniform Administrative Requirements, Cost Principles of Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the City of Bellevue, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Bellevue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Bellevue has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Passthrough entity identifying numbers are presented where available.

NOTE 3 - SUBRECIPIENTS

The City of Bellevue had no subrecipients in 2017.

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bellevue, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio ("City") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described as finding 2017-001 in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

Compliance and Other Matters

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

City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**INDEPENDENT AUDITORS' REPORT**

To the City Council
City of Bellevue, Ohio:

Report on Compliance for Each Major Federal Program

We have audited the City of Bellevue, Ohio's (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2018

CITY OF BELLEVUE, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2017

Section I – Summary of Auditors’ Results

Financial Statements

| | |
|--|------------|
| Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | Yes |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | None noted |
| Noncompliance material to the financial statements noted? | None noted |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | None noted |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | None noted |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major programs: | |
| • CFDA 20.205 – Highway Planning and Construction Cluster | |
| Dollar threshold to distinguish between Type A and Type B Programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

Finding 2017-001 – Audit Adjustment

Condition: We identified misstatements in the financial statements for the year under audit that were not initially identified by the City's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed and we consider this a material weakness.

Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted account principles (GAAP). As part of our audit, a material adjustment was needed to record on-behalf capital grants including the capital assets and certain accounts payable associated with the grant.

Recommendation: We recommend the City enhance its internal controls over financial reporting with steps such as management analysis of the financials compared to prior years to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

Management's Response: Management concurs and will modify management analysis to include the recommendation. Management will enhance the internal control review process by incorporating management analysis of financial statements to ensure reliable financial statements in conformity with generally accepted accounting principles.

Section III – Federal Award Findings and Questioned Costs

None noted

CITY OF BELLEVUE

MUNICIPAL CITY OFFICES

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) December 31, 2017

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|---|------------------------------------|-----------------------------------|
| 2017-001 | We will enhance our internal control procedures so that the Auditor's Office receives a copy of all Requests for Payment and any other pertinent project documents from the City Engineer when he makes any reporting submission to Federal, State and/or Local agencies as required. | 12/31/18 | Steve Smith, City Auditor |





Dave Yost • Auditor of State

CITY OF BELLEVUE

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2018