



**CITY OF BELLEVUE
HURON COUNTY
REGULAR AUDIT**

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**CITY OF BELLEVUE
HURON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund	18
Statement of Net Assets – Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Net Assets – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	23
Notes to the Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings.....	57

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Huron County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to obtain sufficient evidential matter supporting amounts reported as capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions in the governmental activities, business-type activities, Wastewater Pollution Fund, and Water Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine amounts reported as capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Wastewater Pollution Fund, and the Water Fund of the City of Bellevue, Huron County, Ohio, as of December 31, 2004, and the respective changes in financial position and where applicable, cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Bellevue Development Corporation, N. Bellevue Industrial Area Project, and the Capital Improvement funds, and the aggregate remaining fund information for the City of Bellevue, Huron County, Ohio, as of December 31, 2004, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

February 6, 2006

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The discussion and analysis of City of Bellevue's financial performance provides an overall view of the City's financial activities for the year ended December 31, 2004. 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 2004 are as follows:

- The City's net assets increased \$1.4 million as a result of this year's operations. The net assets of our governmental activities increased \$1.0 million or 7.06 percent, and net assets for our business-type increased \$.4 million or 2.66 percent.
- During the year, the City had expenses for governmental activities in the amount of \$6.5 million, which was covered by program of \$2.4 million and \$5.1 million of general revenue. Business-Type activities applied program revenues of \$3.5 million to \$3.1 million of expenses in 2004.

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 of Bellevue as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tell 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.

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

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

- **Governmental Activities** - Most of the City's programs and services are reported here including Legislative and Executive, Judicial, Security of Persons and Property, Public Health and Welfare, Transportation, Community Environment, Economic Development, 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 and sewer funds 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, Bellevue Development Corporation, North Bellevue Industrial Area Project and Capital Improvements Funds.

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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance city programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

The City as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2004:

Table 1
Net Assets
(In Millions)

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004	Total 2003
Assets				
Current and Other Assets	\$ 10.6	\$ 5.3	\$ 15.9	\$ 15.9
Capital Assets	7.5	14.5	22.0	19.6
Total Assets	\$ 18.1	\$ 19.8	\$ 37.9	\$ 35.5
Liabilities				
Other Liabilities	\$ 1.0	\$ 0.1	\$ 1.1	\$ 1.2
Long-Term Liabilities	2.2	4.5	6.7	5.6
Total Liabilities	3.2	4.6	7.8	6.8
Net Assets				
Invested in Capital Assets Net of Debt	5.8	10.4	16.2	15.1
Restricted	5.8	-	5.8	2.4
Unrestricted (Deficit)	3.3	4.8	8.1	11.2
Total Net Assets	\$ 14.9	\$ 15.2	\$ 30.1	\$ 28.7

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

Table 2 shows the changes in net assets for the year 2004.

Table 2
Changes in Net Assets
(In Millions)

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004	Total 2003
Revenue				
Program Revenues:				
Charges for Services	\$ 0.2	\$ 3.5	\$ 3.7	\$ 4.1
Operating Grants	2.0	-	2.0	0.3
Capital Grants	0.2	-	0.2	0.9
General Revenue:				
Municipal Income Taxes	3.2	-	3.2	3.5
Property Taxes	0.8	-	0.8	0.8
Grants and Entitlements	0.6	-	0.6	0.6
Unrestricted Investment Earnings	0.2	-	0.2	0.2
Other	0.3	-	0.3	0.4
Total Revenues	7.5	3.5	11.0	10.8
Program Expenses				
General Government -Legislative and Executiv	1.6	-	1.6	1.8
General Government -Judicial	0.2	-	0.2	0.2
Security of Persons and Property	2.5	-	2.5	2.0
Public Health and Welfare	0.3	-	0.3	0.3
Transportation	0.8	-	0.8	0.8
Community Environment	0.5	-	0.5	0.6
Basic Utilities	0.1	-	0.1	-
Leisure Time Activities	0.3	-	0.3	0.4
Economic Development	0.1	-	0.1	-
Interest and Fiscal Charges	0.1	-	0.1	0.1
Water Fund	-	1.5	1.5	1.9
Sewer Fund	-	1.6	1.6	1.6
Total Expenses	6.5	3.1	9.6	9.7
Increase (Decrease) in Net Assets	\$ 1.0	\$ 0.4	\$ 1.4	\$ 1.1

Governmental Activities

Presently, the City has non-voted millage of 6.1 mills for general fund operations and .6 mills each for the Police and Fire Pension. The City has voted millage, which is outside the 10-mill limitation of 2.0 mills for ambulance and emergency medical services and 1.5 mills for recreation

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

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 \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus the city depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 43.1 percent of revenues for governmental activities in calendar year 2004.

General Government Legislative and Executive comprise 25.3 percent of governmental program expenses. Interest expense was 0.014 percent. Interest expense was attributable to outstanding bonds and borrowing for capital projects.

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
(In Millions)

	Total Cost of Services 2004	Net Cost of Services 2004	Net Cost of Services 2003
General Government - Legislative and Executive	\$ 1.6	\$ 1.6	\$ 1.8
General Government - Judicial	0.2	0.2	0.2
Security of Persons and Property	2.5	2.2	2.0
Public Health and Welfare	0.3	0.2	0.2
Transportation	0.8	0.3	0.4
Community Environment	0.5	(0.9)	(0.4)
Basic Utility	0.1	0.1	-
Leisure Time Activities	0.3	0.2	0.3
Economic Development	0.1	0.1	-
Unallocated Depreciation	-	-	0.5
Interest and Fiscal Charges	0.1	0.1	0.1
Total Expenses	\$ 6.5	\$ 4.1	\$ 5.1

The dependence upon tax revenues for governmental activities is apparent. Over 67.9 percent of public safety and human services are supported through taxes and other general revenues, for all governmental activities revenue support is 32.1 percent. The community, as a whole, is by far the primary support for the City.

Business-Type Activities

Business-type activities include the water and sewer fund. These programs had revenues of \$3.5 million and expenses of \$3.1 million for the year 2004. Business activities receive no support from tax revenues.

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

The City's Funds

Information about the City's major funds starts on page 16. These funds are accounted in the Statement of Revenue, Expenditures and Changes in Fund Balance using the modified accrual basis of accounting. All governmental funds had total revenues of \$6.1 million and expenditures of \$7.5 million. The General Fund, which is always a major fund, had a net decrease in fund balance of \$1.6 million due to transfers for the Traffic Signalization Project. This decline indicated the City needed to increase its revenue base to continue meeting City obligations as a whole.

Another major fund is the Bellevue Development Corporation Fund, which accounts for revolving loans at low interest rates made to local businesses to stimulate employment and expansion. This fund is administered by the Bellevue Development Corporation, a non-profit corporation. The only source of revenue this year was interest on investments of \$47,754. The net change in the fund balance of the Bellevue Development Corporation Fund was an increase of \$38,089.

The North Bellevue Industrial Area Project Fund is a new major fund in that the City was awarded a \$1.6 million capital grant from the U.S. Department of Commerce to improve infrastructure to several existing businesses and improve the industrial area for future business.

The Capital Improvement Fund is another new major fund when the City transferred \$1.4 million of general fund monies for capital projects. This year the majority of the funds were used for new traffic signals, street resurfacing and park improvements.

General Fund Budgeting Highlights

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

During the course of the year 2004 the City amended its general fund budget numerous times, none significant. The City uses department based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was \$4.6 million, the same amount as original budget estimates. This estimate was applied to the final budget amount of expenditures of \$6.0 million. Actual expenditures and encumbrances were \$4.4 million. Variances were primarily attributed to lower than anticipated public safety salaries and related costs and conservative spending for government contracts, legal services and capital expenditures. The City's ending unobligated cash balance was \$2.4 million.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2004 the City had \$21.9 million invested in land, buildings and improvements, equipment, vehicles and infrastructure. \$7.5 million is reported in the governmental activities. Table 4 shows the 2004 balances.

**CITY OF BELLEVUE
HURON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)

Table 4
Capital Assets, Net of Accumulated Depreciation
December 31, 2004
(In Millions)

	Governmental 2004	Business-Type 2004	Total 2004	Total 2003
Land and Land Improvements	\$ 0.9	\$ 3.6	\$ 4.5	\$ 4.2
Buildings and Improvements	5.4	10.0	15.4	14.2
Furniture and Equipment	2.2	4.0	6.2	4.8
Vehicles	2.5	0.2	2.7	0.4
Infrastructure	1.3	11.1	12.4	9.7
Accumulated Depreciation	(4.8)	(14.5)	(19.3)	(13.7)
Totals	<u>\$ 7.5</u>	<u>\$ 14.4</u>	<u>\$ 21.9</u>	<u>\$ 19.6</u>

Debt

At December 31, 2004, the City had \$5.8 million in bonds and loans outstanding, \$.3 million due within one year. Table 5 summarizes bond and loans outstanding.

Table 5
Outstanding Debt, at Year End
(In Millions)

	Governmental Activities 2004	Business-Type Activities 2004	Total 2003
Municipal Building and Special Assessment Bonds	\$ 1.7	\$ -	\$ 1.7
O.W.D.A. Loans	-	4.1	2.7
Total	<u>\$ 1.7</u>	<u>\$ 4.1</u>	<u>\$ 4.4</u>

Outstanding general obligation bonds consist of a municipal building issue. General obligation bonds are direct obligations of the City of Bellevue for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. The outstanding O.W.D.A. loans consist of loan agreements between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loans will be paid from resources of the Wastewater Treatment fund. This year the city was approved for \$7.5 million in new loans which the city used \$1.6 for the construction.

For the Future

The City is strong financially. 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.

**CITY OF BELLEVUE
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Contacting the City's Financial Management

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

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Net Assets
For the Year Ended December 31, 2004**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,323,483	\$ 4,694,891	\$ 9,018,374
Cash and Cash Equivalents:			
In Segregated Accounts	1,208,525	457	1,208,982
With Fiscal Agents	714	-	714
Receivables:			
Taxes	1,805,743	-	1,805,743
Accounts	54,953	587,149	642,102
Accrued Interest	1,843	-	1,843
Due from Other Governments	2,528,903	-	2,528,903
Prepaid Items	14,550	-	14,550
Material and Supplies Inventory	47,984	22,829	70,813
Notes Receivable	656,185	-	656,185
Capital assets, No Depreciation	719,694	3,532,950	4,252,644
Capital assets, net of depreciation	6,753,822	10,931,760	17,685,582
Total Assets	<u>\$ 18,116,399</u>	<u>\$ 19,770,036</u>	<u>\$ 37,886,435</u>
Liabilities:			
Accounts Payable	\$ 109,526	\$ 81,409	\$ 190,935
Accrued Wages	41,137	15,627	56,764
Due to Other Governments	50,661	19,082	69,743
Deferred Revenue	820,125	-	820,125
Undistributed Monies	-	457	457
Matured Bonds Payable	1,000	-	1,000
Matured Interest payable	714	-	714
Accrued Interest Payable	7,590	7,925	15,515
Long-Term Liabilities:			
Due within one year	271,804	389,325	661,129
Due in more than one year	1,962,126	4,078,397	6,040,523
Total Liabilities	<u>3,264,683</u>	<u>4,592,222</u>	<u>7,856,905</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,808,516	10,423,060	16,231,576
Restricted for:			
Capital	2,721,928	-	2,721,928
Debt	15,787	-	15,787
Perpetual Care Expendable	6,760	-	6,760
Perpetual Care Unexpendable	54,145	-	54,145
Special Purposes	2,936,087	-	2,936,087
Unrestricted	3,308,493	4,754,754	8,063,247
Total Net Assets	<u>\$ 14,851,716</u>	<u>\$ 15,177,814</u>	<u>\$ 30,029,530</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Activities
December 31, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General Government:				
Legislative and Executive	\$ 1,651,532	\$ -	\$ -	\$ -
Judicial	181,230	-	-	-
Security of Persons and Property	2,488,010	43,675	6,438	157,843
Public Health and Welfare	306,601	86,353	-	-
Transportation	854,566	456	588,602	-
Community Environment	504,187	-	1,345,722	35,628
Basic Utilities	19,365	-	-	-
Leisure Time Activities	341,118	101,415	37,445	-
Economic Development	80,883	-	-	-
Interest and Fiscal Charges	96,943	-	-	-
Total Governmental Activities	<u>6,524,435</u>	<u>231,899</u>	<u>1,978,207</u>	<u>193,471</u>
Business-Type activities:				
Water Fund	1,533,345	1,681,741	-	-
Sewer Fund	<u>1,592,379</u>	<u>1,858,074</u>	-	-
Total Business-Type activities	<u>3,125,724</u>	<u>3,539,815</u>	-	-
Total primary government	<u>\$ 9,650,159</u>	<u>\$ 3,771,714</u>	<u>\$ 1,978,207</u>	<u>\$ 193,471</u>

General revenues:

Taxes:

Municipal Income Tax

Property taxes, levied for general purposes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net Assets - January 1, 2004

Net Assets - December 31, 2004

See accompanying notes to the Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,651,532)		\$ (1,651,532)
(181,230)		(181,230)
(2,280,054)		(2,280,054)
(220,248)		(220,248)
(265,508)		(265,508)
877,163		877,163
(19,365)		(19,365)
(202,258)		(202,258)
(80,883)		(80,883)
(96,943)		(96,943)
<u>(4,120,858)</u>		<u>(4,120,858)</u>
	148,396	148,396
	<u>265,695</u>	<u>265,695</u>
-	414,091	414,091
<u>(4,120,858)</u>	<u>414,091</u>	<u>(3,706,767)</u>
3,230,188	-	3,230,188
800,990	-	800,990
596,988	-	596,988
150,621	-	150,621
315,679	-	315,679
<u>5,094,466</u>	<u>-</u>	<u>5,094,466</u>
973,608	414,091	1,387,699
<u>13,878,108</u>	<u>14,763,723</u>	<u>28,641,831</u>
<u>\$ 14,851,716</u>	<u>\$ 15,177,814</u>	<u>\$ 30,029,530</u>

**CITY OF BELLEVUE
HURON COUNTY**

**Balance Sheet
Governmental Funds
For Year Ended December 31, 2004**

	General	Bellevue Development Corporation	N. Bellevue Industrial Area Project	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets and Other Debits						
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,557,791	\$ -	\$ 13,350	\$ 155,405	\$ 1,596,937	\$ 4,323,483
Cash and Cash Equivalents in Segregated Accounts With Escrow Agents	495	1,208,030	-	-	-	1,208,525
	-	-	-	-	714	714
Receivables:						
Taxes	1,272,516	-	-	-	533,227	1,805,743
Accounts	50,415	-	-	-	4,538	54,953
Accrued Interest	-	1,843	-	-	-	1,843
Due from Other Funds	1,078	-	-	-	-	1,078
Due from Other Governments	250,676	-	2,061,000	-	217,227	2,528,903
Prepaid Items	14,550	-	-	-	-	14,550
Material and Supplies Inventory	7,943	-	-	-	40,041	47,984
Notes Receivable	-	656,185	-	-	-	656,185
	-	-	-	-	-	-
Total Assets	\$ 4,155,464	\$ 1,866,058	\$ 2,074,350	\$ 155,405	\$ 2,392,684	\$ 10,643,961
Liabilities:						
Accounts Payable	\$ 27,599	\$ -	\$ 27,000	\$ 45,026	\$ 9,901	\$ 109,526
Accrued Wages	30,913	-	-	-	10,224	41,137
Due to Other Funds	-	-	-	-	1,078	1,078
Due to Other Governments	41,477	-	-	-	9,184	50,661
Deferred Revenue	1,334,998	363	2,061,000	-	706,778	4,103,139
Matured Interest Payable	-	-	-	-	714	714
	-	-	-	-	-	-
Total Liabilities	1,434,987	363	2,088,000	45,026	737,879	4,306,255
Fund Balances:						
Reserved for Notes Receivable	-	656,185	-	-	-	656,185
Reserved for Encumbrances	125,553	-	2,713,930	110,987	64,520	3,014,990
Reserved for Inventory	7,943	-	-	-	40,041	47,984
Reserved for Perpetual Care	-	-	-	-	6,760	6,760
Unreserved	2,586,981	-	-	-	-	2,586,981
Unreserved, Reported in:						
Special Revenue Funds	-	1,209,510	-	-	914,413	2,123,923
Debt Service Fund	-	-	-	-	24,377	24,377
Capital Projects Funds (Deficit)	-	-	(2,727,580)	(608)	550,549	(2,177,639)
Permanent Funds	-	-	-	-	54,145	54,145
	-	-	-	-	-	-
Total Fund Balances	2,720,477	1,865,695	(13,650)	110,379	1,654,805	6,337,706
Total Liabilities and Fund Balances	\$ 4,155,464	\$ 1,866,058	\$ 2,074,350	\$ 155,405	\$ 2,392,684	\$ 10,643,961

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
For Year Ended December 31, 2004**

Total Governmental Fund Balances	\$	6,337,706
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,473,516
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	\$	772,571
Grants		2,473,129
Property and Other Local Taxes		36,951
Accrued Interest Receivable		363
		3,283,014
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	\$	(7,590)
Compensated Absences Payable		(568,930)
G. O. Bonds Payable		(1,665,000)
Matured Bond Payable		(1,000)
		(2,242,520)
Net Assets of Governmental Activities	\$	14,851,716

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Bellevue Development Corporation	N. Bellevue Industrial Area Project	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Municipal Income Tax	\$ 3,168,056	\$ -	\$ -	\$ -	\$ -	\$ 3,168,056
Property and Other Taxes	295,357	-	-	-	530,775	826,132
Intergovernmental	596,988	-	-	-	812,845	1,409,833
Investment Income	95,888	47,754	-	-	7,011	150,653
Licenses and Permits	52,212	-	-	-	-	52,212
Fines and Forfeitures	102,771	-	-	-	23,611	126,382
Special Assessments	-	-	-	-	456	456
Charges for Services	67,368	-	-	-	164,075	231,443
Miscellaneous	42,165	-	-	5,000	91,949	139,114
Total Revenue	4,420,805	47,754	-	5,000	1,630,722	6,104,281
Expenditures:						
Current:						
General Government:						
Legislative and Executive	1,615,734	-	-	47,370	1,200	1,664,304
Judicial	210,917	-	-	-	2,485	213,402
Security of Persons and Property	1,851,957	-	-	21,255	632,828	2,506,040
Public Health and Welfare	246,807	-	-	-	110,037	356,844
Transportation	-	-	-	1,029,300	580,935	1,610,235
Community Environment	178,570	9,665	27,000	252,070	111,447	578,752
Basic Utilities	-	-	-	19,365	-	19,365
Leisure Time Activities	-	-	-	2,795	336,765	339,560
Economic Development	-	-	44,070	36,813	-	80,883
Debt Service:						
Principal Retirement	-	-	-	-	78,000	78,000
Interest and Fiscal Charges	-	-	-	-	97,237	97,237
Total Expenditures	4,103,985	9,665	71,070	1,408,968	1,950,934	7,544,622
Excess of Revenues Over (Under) Expenditures	316,820	38,089	(71,070)	(1,403,968)	(320,212)	(1,440,341)
Other Financing Sources (Uses):						
Operating Transfers In	-	-	-	1,440,000	514,715	1,954,715
Operating Transfers Out	(1,913,353)	-	-	-	(47,630)	(1,960,983)
Total Other Sources (Uses)	(1,913,353)	-	-	1,440,000	467,085	(6,268)
Net Change in Fund Balance	(1,596,533)	38,089	(71,070)	36,032	146,873	(1,446,609)
Fund Balances (Deficit) at Beginning of Year	4,317,010	1,827,606	57,420	74,347	1,507,932	7,784,315
Fund Balances (Deficits) End of Year	\$ 2,720,477	\$ 1,865,695	\$ (13,650)	\$ 110,379	\$ 1,654,805	\$ 6,337,706

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

Net Change in Fund Balances-Total Governmental Funds	\$	(1,446,609)
<p>Amounts reported in governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays was over (under) depreciation in the current period.</p>		
Capital Outlay	\$ 1,250,975	
Depreciation	<u>(350,403)</u>	900,572
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Municipal Income Taxes	\$ 62,132	
Grants	1,326,721	
Delinquent Property Taxes	4,941	
Interest On Investments	<u>(32)</u>	1,393,762
<p>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		78,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		294
<p>Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Compensated Absences		<u>47,589</u>
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>973,608</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$ 3,290,000	\$ 3,290,000	\$ 3,349,890	\$ 59,890
Property Taxes	282,000	282,000	292,959	10,959
Charges for Services	75,000	75,000	73,758	(1,242)
Licenses and Permits	55,000	55,000	52,212	(2,788)
Fines and Forfeitures	100,000	100,000	100,534	534
Intergovernmental	581,995	581,995	600,106	18,111
Investment Income	175,000	175,000	95,888	(79,112)
Other	18,000	18,000	42,165	24,165
Total Revenue	4,576,995	4,576,995	4,607,512	30,517
Expenditures:				
Current:				
General Government:				
Legislative and Executive	2,297,640	2,553,285	1,841,485	711,800
Judicial	317,600	321,369	223,979	97,390
Security of Persons and Property	2,437,435	2,529,013	1,915,438	613,575
Public Health and Welfare	315,046	323,903	256,240	67,663
Community Environment	231,340	255,281	185,595	69,686
Total Expenditures	5,599,061	5,982,851	4,422,737	1,560,114
Excess of Revenues Over (Under) Expenditures	(1,022,066)	(1,405,856)	184,775	1,590,631
Other Financing Sources (Uses):				
Operating Transfers - Out	(3,219,350)	(3,278,934)	(1,913,353)	1,365,581
Total Other Sources (Uses)	(3,219,350)	(3,278,934)	(1,913,353)	1,365,581
Excess of Expenditures and Other Financing Uses Over Receipts and Other Sources	(4,241,416)	(4,684,790)	(1,728,578)	2,956,212
Fund Balance at Beginning of Year	3,986,843	3,986,843	3,986,843	-
Prior Year Encumbrances Appropriated	153,560	153,560	153,560	-
Fund Balances (Deficit) at End of Year	\$ (101,013)	\$ (544,387)	\$ 2,411,825	\$ 2,956,212

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Net Assets
Proprietary Funds
December 31, 2004**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
<u>Assets</u>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,535,018	\$ 2,159,873	\$ 4,694,891
Cash and Cash Equivalents:			
In Segregated Accounts	457	-	457
Receivables:			
Accounts	225,276	361,873	587,149
Prepaid Items	-	-	-
Material and Supplies Inventory	-	22,829	22,829
Total Current Assets	2,760,751	2,544,575	5,305,326
Capital Assets, (Not Depreciated)	3,474,890	58,060	3,532,950
Capital Assets, (Net of Accumulated Depreciation)	5,202,204	5,729,556	10,931,760
Total Assets	<u>\$ 11,437,845</u>	<u>\$ 8,332,191</u>	<u>\$ 19,770,036</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 56,108	\$ 25,301	\$ 81,409
Accrued Wages	11,554	4,073	15,627
Accrued Interest Payable	-	7,925	7,925
Compensated Absences Payable	84,921	60,911	145,832
Due to Other Governments	14,714	4,368	19,082
Undistributed Monies	457	-	457
OWDA Loan Payable	-	243,493	243,493
Total Current Liabilities	167,754	346,071	513,825
Long-Term Liabilities:			
Compensated Absences Payable	125,679	94,561	220,240
OWDA Loan Payable	-	3,858,157	3,858,157
Total Long-Term Liabilities	125,679	3,952,718	4,078,397
Total Liabilities	293,433	4,298,789	4,592,222
<u>Net Assets</u>			
Invested in capital assets, net of related debt	8,530,226	1,766,590	10,296,816
Unrestricted	2,614,186	2,266,812	4,880,998
Total Net Assets	<u>\$ 11,144,412</u>	<u>\$ 4,033,402</u>	<u>\$ 15,177,814</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Totals
Operating Revenues:			
Charges for Services	\$ 1,650,224	\$ 1,830,753	\$ 3,480,977
Other Operating Revenues	2,156	3,526	5,682
Total Operating Revenues	<u>1,652,380</u>	<u>1,834,279</u>	<u>3,486,659</u>
Operating Expenses:			
Personal Services	752,307	513,268	1,265,575
Contractual Services	233,058	275,743	508,801
Materials and Supplies	215,165	185,778	400,943
Other Operating Expense	-	21	21
Depreciation	332,815	481,773	814,588
Total Operating Expenses	<u>1,533,345</u>	<u>1,456,583</u>	<u>2,989,928</u>
Operating Income	<u>119,035</u>	<u>377,696</u>	<u>496,731</u>
Non-Operating Revenues (Expenses):			
Tap-In Fees	10,361	4,430	14,791
Interest and Fiscal Charges	-	(135,796)	(135,796)
Total Non-Operating Revenues (Expenses)	<u>10,361</u>	<u>(131,366)</u>	<u>(121,005)</u>
Income before Capital Contributions	129,396	246,330	375,726
Capital Contributions	<u>19,000</u>	<u>19,365</u>	<u>38,365</u>
Change in Net Assets	148,396	265,695	414,091
Total Net Assets at Beginning of Year	<u>10,996,016</u>	<u>3,767,707</u>	<u>14,763,723</u>
Total Net Assets at End of Year	<u>\$ 11,144,412</u>	<u>\$ 4,033,402</u>	<u>\$ 15,177,814</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Cash Flows
Proprietary Fund
December 31, 2004**

	Business-Type Activities - Enterprise Fund		
	Water Fund	Wastewater Pollution Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received for Services	\$ 1,687,499	\$ 1,784,575	\$ 3,472,074
Cash Received from Other Operating Sources	2,156	3,526	5,682
Cash Payments to Suppliers for Goods and Services	(450,625)	(456,811)	(907,436)
Cash Payments to Employees for Services	(873,572)	(512,550)	(1,386,122)
Cash Payments for Other Purposes	-	(21)	(21)
Net Cash Provided by Operating Activities	<u>365,458</u>	<u>818,719</u>	<u>1,184,177</u>
Cash Flows from Noncapital Financing Activities:			
Tap-In Fees	<u>10,361</u>	<u>4,430</u>	<u>14,791</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,361</u>	<u>4,430</u>	<u>14,791</u>
Cash Flows from Capital & Related Financing Activities:			
Proceeds of OWDA Loan	-	1,612,497	1,612,497
Payment of OWDA Loans	-	(232,213)	(232,213)
Payments for Capital Acquisitions	(460,683)	(1,762,068)	(2,222,751)
Interest Paid	-	(127,871)	(127,871)
Net Cash Used by Capital and Related Financing Activities	<u>(460,683)</u>	<u>(509,655)</u>	<u>(970,338)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(84,864)	313,494	228,630
Cash and Cash Equivalents Beginning of Year	<u>2,620,339</u>	<u>1,846,379</u>	<u>4,466,718</u>
Cash and Cash Equivalents End of Year	<u>\$ 2,535,475</u>	<u>\$ 2,159,873</u>	<u>\$ 4,695,348</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating Income	\$ 119,035	\$ 377,696	\$ 496,731
Adjustments:			
Net Cash from Operating Activities:			
Depreciation Expense	332,815	481,773	814,588
(Increase) Decrease in Assets:			
Accounts Receivable	41,843	(46,178)	(4,335)
Prepaid Items	10,770	9,931	20,701
Increase (Decrease) in Liabilities:			
Accounts Payable	(13,172)	(5,221)	(18,393)
Accrued Wages and Benefits	(22,819)	(16,797)	(39,616)
Compensated Absences Payable	(102,111)	19,317	(82,794)
Due to Other Governments	3,665	(1,802)	1,863
Undistributed Monies	(4,568)	-	(4,568)
Total Adjustments	<u>246,423</u>	<u>441,023</u>	<u>687,446</u>
Net Cash Provided by Operating Activities	<u>\$ 365,458</u>	<u>\$ 818,719</u>	<u>\$ 1,184,177</u>

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004**

<u>Assets:</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Equity in Pooled Cash and Cash Equivalents	\$ 35,233	\$ 1,568
Cash and Cash Equivalents In Segregated Accounts	-	868
Accounts Receivable	-	529
Total Assets	<u>\$ 35,233</u>	<u>\$ 2,965</u>
 <u>Liabilities:</u>		
Undistributed Monies	-	2,965
Total Liabilities	<u>-</u>	<u>\$ 2,965</u>
 <u>Net Assets:</u>		
Unrestricted:		
Undesignated	<u>35,233</u>	
Total Net Assets	<u>\$ 35,233</u>	

See accompanying notes to the Basic Financial Statements.

**CITY OF BELLEVUE
HURON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2004**

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest Income	475
Transfer In	<u>\$ 6,268</u>
Total Additions	6,743
 <u>Deductions:</u>	
Other Operating Expenses	<u>256</u>
Total Deductions	<u>256</u>
Change in Net Assets	6,487
Net Assets Beginning of Year	<u>28,746</u>
Net Assets End of Year	<u><u>\$ 35,233</u></u>

See accompanying notes to the Basic Financial Statements.

This page intentionally left blank.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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 insure 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; the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Components units may also include organizations that 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 included in its non-major funds the assets and operations of the City's revolving loan program, which is administered by the Bellevue Development Corporation, a nonprofit corporation. The City has not included the City of Bellevue School District as it has no control over operations and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore 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 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 detail level. The focus of governmental and enterprise 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.

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.

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

Governmental Funds

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 balances is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bellevue Development Corporation – The Bellevue Development Corporation Fund is used to account for revolving loans at low interest rates made to local businesses to stimulate employment and expansion.

North Bellevue Industrial Area Project – The North Bellevue Industrial Area Project fund is used to account for a U.S. Department of Commerce grant in the amount of \$1,671,000 to improve infrastructure to several existing businesses and a new industrial park. The total project cost will be \$2,785,000 when it is completed.

Capital Improvement – this fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City does not have investment trust or pension trust funds.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Measurement Focus

Government Wide Financial Statements

The Government-wide Financial Statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

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

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

The private purpose trust is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, property taxes, interest, grants, and miscellaneous account revenue.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance 2005 operations, have been recorded as deferred revenue. Special assessments and grants and entitlements received before the eligibility requirements are meant are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

E. Budget

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. Council passes appropriations at the department level. Line item appropriations may be transferred between the accounts with the approval of the city auditor and respective department head. 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:

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Cash and Investments

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

During 2004, investments were limited to certificates of deposit, money market accounts, passbook accounts and STAR Ohio, the State Treasurer's investment pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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 2004 amounted to \$95,888, which included \$61,167 assigned from other funds of the City.

The City has invested funds in the State Treasurer's Asset Reserve of Ohio (STAR Ohio) during the year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

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 in Segregated Accounts" since they are not required to be deposited into the City's treasury.

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

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. 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 governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of zero. Public domain ("infrastructure") general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been capitalized under new requirements of the Governmental Accounting Standards Board but only for the current year. The City anticipates adding all infrastructure next year. 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. 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 and Equipment	10 years	10 years
Vehicles	5 years	5 years
Infrastructure	80 years	80 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. Compensated Absences

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

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *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.

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

M. Fund Balance Reserves

The city reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for notes receivable, perpetual care memorials, encumbrances, and inventories of supplies and materials.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Net Assets

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

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

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.

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. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

R. Estimates

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

3. BUDGET BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balances, Budget and Actual, General 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 reservation of fund balance (GAAP).

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

Net Change in Fund Balance	
General Fund	
Budget Basis	\$ (1,728,578)
Adjustments:	
Revenue Accruals:	
Accrued 2003, Received in Cash 2004	(309,912)
Accrued 2004, Not yet Received in Cash	123,205
Expenditure Accruals:	
Accrued 2004, Not yet Paid in Cash	31,043
Accrued 2003, Paid in Cash 2004	141,743
Encumbrances	145,966
GAAP Basis	\$ (1,596,533)

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

4. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

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

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

4. DEPOSITS AND INVESTMENTS – (Continued)

6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days. Commercial paper must be issued by a corporation incorporated under the laws of the United States or any state and must be rated in the highest category by two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$6,474,701 and the bank balance was \$6,687,560. Of the bank balance:

1. \$565,086 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City;
2. \$5,610,843 was uncollateralized and uninsured because it was covered by collateral held by third party trustees pursuant to §135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions;
3. \$511,631 was uncollateralized and uninsured. These monies are under the control of the Bellevue Development Corporation.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category B includes uninsured and unregistered investments for which the securities are held by the Trust department or agent in the City's name.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

4. DEPOSITS AND INVESTMENTS – (Continued)

Category C includes uninsured and unregistered investments for which securities are held by the Trust department but not in the City's name. Star Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

		Carrying Amount	Fair Value
Treasury Investment	Category A	\$ 1,000	\$ 1,000
STAR Ohio	Not Categorized	3,789,543	3,789,543
Total Investments		\$ 3,790,543	\$ 3,790,543

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

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

	Equity with City Treasurer	Investments
GASB Statement 9	\$ 10,265,739	\$ -
Cash on Hand	(495)	-
Treasury Investment	(1,000)	1,000
STAR Ohio	(3,789,543)	3,789,543
Per GASB 3	\$ 6,474,701	\$ 3,790,543

Amounts above include balances of the City's revolving loan fund in the amount of \$1,208,030, which is held in separate accounts under the control of the Bellevue Development Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for profit organization.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

4. DEPOSITS AND INVESTMENTS – (Continued)

	Reconciliation to Balance Sheet
City's Deposits	\$ 6,474,701
Petty Cash and Drawer Change	495
Investments	3,790,543
Total	\$ 10,265,739
Per Balance Sheets	
Government Wide Statement of Net Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 9,018,374
Cash and Cash Equivalents in Segregated Accounts	1,208,982
Cash with Fiscal Agents	714
Statement of Fiduciary Net Asset:	
Equity In Pooled Cash, Cash Equivalents, and Investments	36,801
Cash and Cash Equivalents in Segregated Accounts	868
Total	\$ 10,265,739

5. RECEIVABLES

Receivables at December 31, 2004, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments, accounts (billings for utility service), 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 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2004 real property taxes are collected in and intended to finance 2004.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2004 with real property taxes.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

5. RECEIVABLES – (Continued)

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value.

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.08 for Huron County and \$4.96 for Sandusky County per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$4.92 for Huron County and \$5.91 for Sandusky County per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

	Sandusky County	Huron County
Real Property - 2003 Valuation:		
Residential/Agricultural	\$ 52,090,840	\$ 37,028,520
Public Utilities	8,490	-
Commercial/Industrial	11,604,780	13,747,570
Total Real Property	63,704,110	50,776,090
 Tangible Personal Property - 2004 Valuation:		
General	10,400,870	328,000
Public Utilities	1,764,790	31,876,330
Total Personal Property	12,165,660	32,204,330
 Total Assessed Valuation	\$ 75,869,770	\$ 82,980,420

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Bellevue. The County Auditors periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004, 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 2004 operations. The receivable is therefore offset by deferred revenue.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

5. RECEIVABLES – (Continued)

Income Taxes

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

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

The City's income tax ordinance requires a portion of the income tax revenues to be used to finance governmental type capital improvements. As a result, this portion of the revenue is transferred into the capital improvement capital projects fund each year. The remaining income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council.

Due from Other Governments

A summary of due from other governments follows:

Governmental Activities	Amounts
Local Government and Local Government Revenue Assistance	\$ 225,749
Liquor Tax	114
Homestead and Rollback	35,538
Gasoline and Excise Tax	136,994
Motor Vehicle License Fees	42,607
Permissive Motor Vehicle License Tax	24,750
CDBG Grants	2,151
N. Bellevue Industrial Project Grants	2,061,000
Total	\$ 2,528,903

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

6. BELLEVUE DEVELOPMENT CORPORATION

The Bellevue Development Corporation (BDC) is a nonprofit organization whose primary efforts are to attract out-of area companies to the City of Bellevue to increase the number of firms and employees working within the City. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. As part of its normal operation, the BDC administers the City's revolving loan program and loans money for the purchase or improvement of industrial sites. The following notes receivable are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2004 were as follows:

Gazette	5%	Matures 2012	\$159,621
KMH Properties	5%	Matures 2005	77,461
Windsor Mold Ohio, Inc.	5%	Matures 2005	6,897
Woodard Photographic	5%	Matures 2005	14,060
Precision	5%	Matures 2011	360,659
Down Home Foods	5%	Matures 2009	37,487
Total Notes Receivable			\$ 656,185

7. INSURANCE

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 2004, the City contracted through Cincinnati Insurance Company for property, fleet, crime and liability insurance. Coverage provided is as follows:

Building and Contents-		
Replacement Cost	\$2,500 Deductible	\$ 30,423,081
Employee Liability	Per Occurrence/Aggregate	\$ 1,000,000
Law Enforcement	\$7,500 Deductible	\$ 1,000,000
Automobile		
Comprehensive	\$250 Deductible	\$ 1,000,000
Collision	\$500 Deductible	\$ 1,000,000
Inland Marine	\$500 Deductible	\$ 915,331
Boiler and Machinery	\$250 Deductible	Various
Electronic Data Processing	\$250 Deductible	\$ 153,215
Blanket Bond	\$50,000 per Occurrence	
Umbrella	Per Occurrence/Aggregate	\$ 2,000,000

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

8. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004:

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
Governmental Activities:				
Land	\$ 719,694	\$ -	\$ -	\$ 719,694
Land Improvements	110,627	36,813	-	147,440
Buildings	5,394,865	46,605	-	5,441,470
Furniture and Equipment	2,150,111	66,131	-	2,216,242
Infrastructure	217,725	1,080,171	-	1,297,896
Vehicles	2,487,851	21,255	-	2,509,106
Total Capital Assets	<u>11,080,873</u>	<u>1,250,975</u>	<u>-</u>	<u>12,331,848</u>
Less Accumulated Depreciation:				
Land Improvements	(33,487)	(7,512)	-	(40,999)
Buildings	(1,383,024)	(136,037)	-	(1,519,061)
Furniture and Equipment	(1,257,283)	(6,690)	-	(1,263,973)
Infrastructure	(2,722)	(184,024)	-	(186,746)
Vehicles	(1,831,413)	(16,140)	-	(1,847,553)
Totals Accumulated Depreciation	<u>(4,507,929)</u>	<u>(350,403)</u>	<u>-</u>	<u>(4,858,332)</u>
Governmental Activities-Assets, Net	<u>\$ 6,572,944</u>	<u>\$ 900,572</u>	<u>\$ -</u>	<u>\$ 7,473,516</u>

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

8. CAPITAL ASSETS – (Continued)

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-Type Activities (Water Fund):				
Land	\$ 3,474,890	\$ -	\$ -	\$ 3,474,890
Buildings	3,661,643	-	-	3,661,643
Equipment and Machinery	1,457,874	99,359	-	1,557,233
Vehicles	135,132	-	-	135,132
Infrastructure	6,115,943	380,324	-	6,496,267
Total Capital Assets	<u>14,845,482</u>	<u>479,683</u>	<u>-</u>	<u>15,325,165</u>
Less Accumulated Depreciation	<u>(6,315,256)</u>	<u>(332,815)</u>	<u>-</u>	<u>(6,648,071)</u>
Business-Type (Water Fund) Capital Assets, Net	<u>\$ 8,530,226</u>	<u>\$ 146,868</u>	<u>\$ -</u>	<u>\$ 8,677,094</u>
Business-Type Activities (Wastewater Treatment Fund):				
Land	\$ 58,060	\$ -	\$ -	\$ 58,060
Buildings	6,421,868	-	-	6,421,868
Equipment and Machinery	2,432,700	13,639	-	2,446,339
Vehicles	93,632	-	-	93,632
Infrastructure	2,916,179	19,365	-	2,935,544
Construction in Progress	-	1,748,429	-	1,748,429
Total Capital Assets	<u>11,922,439</u>	<u>1,781,433</u>	<u>-</u>	<u>13,703,872</u>
Less Accumulated Depreciation	<u>(7,434,483)</u>	<u>(481,773)</u>	<u>-</u>	<u>(7,916,256)</u>
Business-Type (Wastewater Treatment Fund) Capital Assets, Net	<u>\$ 4,487,956</u>	<u>\$ 1,299,660</u>	<u>\$ -</u>	<u>\$ 5,787,616</u>

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

8. CAPITAL ASSETS – (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government:		
Legislative and Executive	\$	3,002
Judicial		124
Security of Person and Places		9,209
Public Health and Welfare		13,393
Leisure Time Activities		4,423
Transportation		289,882
Community Environment		30,369
Unallocated Depreciation		<u>-</u>
Total Depreciation Expense	\$	<u><u>350,402</u></u>

9. COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment become probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at ninety per cent, up to 40 hours per year, provided the total accrued and unused sick leave hours does not fall below a certain minimum hours specified in the union contract. Employees, other than police patrolmen, who have one year of service, are entitled to receive pay for all accrued but unused sick leave upon resignation or retirement at ninety per cent of the value. At December 31, 2004, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations approximated \$735,325.

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

A liability for accrued compensatory time, holiday, personal leave, and vacation for \$199,677 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.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

10. LONG TERM LIABILITIES

	Principal Outstanding 12/31/03	Additions	Retirements	Principal Balance 12/31/04	Amounts Due in One Year
Governmental Activities:					
<u>Special Assessment Bonds:</u>					
W. Main Improvement					
Issued 09/01/84, 4.85%	\$ 1,000		\$ 1,000	\$ -	\$ -
<u>General Obligation Bonds:</u>					
Municipal Building Bonds					
Issued 1999, 5.8%	1,740,000		75,000	1,665,000	75,000
Compensated Absences Payable	616,519	\$ -	47,589	568,930	196,804
Total Governmental Type Activities Debt	<u>\$ 2,357,519</u>	<u>\$ -</u>	<u>\$ 123,589</u>	<u>\$ 2,233,930</u>	<u>\$ 271,804</u>
Business-Type Activities:					
O.W.D.A. Loans:					
Issued 07/6/93, 4.8%	\$ 2,721,366		\$ 232,213	\$ 2,489,153	\$ 243,493
Issued 5/27/04	-	1,612,497	-	1,612,497	-
Compensated Absences Payable	448,866		82,794	366,072	145,832
Total Business-Type Debt	<u>\$ 3,170,232</u>		<u>\$ 315,007</u>	<u>\$ 4,467,722</u>	<u>\$ 389,325</u>

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

Special assessment bonds consisted of street and sewer system improvements which are payable from the proceeds of tax assessments against individual property owners. The bonds are fully paid at year end.

The outstanding O.W.D.A. loans consist of loan agreements between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loans will be paid from resources of the Wastewater Treatment fund. This year the city was approved for \$7.5 million in new loans which the city used \$1.6 million for construction. As of December 31, 2004, the future annual debt service principal and interest payments for the new loan were unavailable.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

10. LONG TERM LIABILITIES – (Continued)

The annual requirements to amortize debt outstanding as of December 31, 2004, including total interest payments of \$1,427,531 are as follows:

Year Ending December 31:	General Obligation Bonds	O.W.D.A. Loan
2005	\$ 167,350	\$ 360,085
2006	168,825	360,085
2007	169,985	360,085
2008	172,020	360,085
2009	166,320	360,085
2010 - 2014	837,190	1,260,299
2015 - 2019	838,470	-
	<u>2,520,160</u>	<u>3,060,724</u>
Less: Interest Expense	855,160	571,571
Total Principal	<u>\$ 1,665,000</u>	<u>\$ 2,489,153</u>

11. CONDUIT DEBT

To provide for the acquisition, construction and equipping of a replacement acute care hospital in Bellevue, Ohio, and other hospital facilities, the City has issued hospital revenue bonds dated August 26, 2004. These bonds are special limited obligations of the City, payable solely from the revenues (as defined in the bond indenture) and other amounts derived from its ownership, leasing, sale or subleasing of the existing facilities. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. As of December 31, 2004, these bonds outstanding aggregated \$11,000,000.

12. DEFINED BENEFIT PENSION PLANS

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

Ohio Public Employees Retirement System (OPERS) - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

12. DEFINED BENEFIT PENSION PLANS – (Continued)

OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-Director Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. The 2004 member contribution rate was 8.5%. The 2004 local government employer contribution rate was 13.55% of covered payroll. The City's contributions for pension obligations to OPERS for the years ended December 31, 2004, 2003, and 2002, were \$318,599, \$233,573, and \$187,755; respectively; 92.5% representing the paid contribution for 2004 and 100% for 2003 and 2002. \$25,178 representing the unpaid contribution for 2004 is recorded as a liability in the individual funds that incurred the costs.

Ohio Police and Fireman's Disability and Pension Fund - The City of Bellevue contributes to the Ohio Police and Fireman's Disability and Pension Fund (OP&F), a cost sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2004, 2003, and 2002, were \$222,469, \$201,909, and \$129,025, respectively, equal to the required contributions for the year. 80.7% has been contributed for 2004 and 100 percent for 2003 and 2002. \$168,802 representing the unpaid contribution for 2004 is recorded as a liability in the individual funds that incurred the costs.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – (Continued)

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2003. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The city's contribution to fund post employment benefits was \$94,050.

The amount of \$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

In September 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchased health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – (Continued)

Ohio Police and Firemen's Disability and Pension Fund

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

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003, the date of the last actuarial valuation available, is 13,662 for police and 10,474 for firefighters.

The amount the city contributed as the employer's share to pay post employment benefits for 2004 was \$81,018.

The Fund's total health care expenses for the year ending December 31, 2003, the date of the last actuarial valuation was \$150,853,148, which was net of member contributions of \$17,207,506.

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

14. SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates two enterprise funds, which provide water and treatment of sewage services. The key financial information for the year ended December 31, 2004, for this enterprise activity is as follows:

	Water Fund	Wastewater Pollution
Operating Revenue	\$ 1,652,380	\$ 1,834,279
Operating Expenses less Depreciation	1,200,530	974,810
Depreciation	332,815	481,773
Operating Income	119,035	377,696
Change in Net Assets	148,396	265,695
Capital Assets	8,677,094	5,787,616
Capital Asset Additions	479,683	1,781,433
Total Assets	11,437,845	8,332,191
OWDA Loan Debt	-	4,101,650
Net Working Capital	2,592,997	2,198,504
Total Net Assets	11,144,412	4,033,402

15. CONTINGENT LIABILITIES

A. Federal and State Grants

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

B. Litigation

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

**CITY OF BELLEVUE
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

16. 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.

17. FINANCE-RELATED LEGAL PROVISIONS

The City did not limit appropriations to estimated resources for several funds in 2004 as required by Ohio law.

18. INTERFUND TRANSFERS

During 2004, the General Fund made transfers to other governmental funds, in the amount of \$513,353 and \$1,400,000 to the Capital Improvement Fund, to subsidize various activities in other funds. Other governmental funds (the Cemetery Fund) made transfers, in the amount of \$1,023, to other governmental funds (the Cemetery Endowment Fund), which reflects ten percent of the cemetery lots sold; (the Parks & Recreation Fund) made a transfer in the amount of \$6,268 to private trust fund (the Community Center Endowment Fund), to reestablish the non-expendable balance; (the Parks and Recreation Fund) made a transfer in the amount of \$40,000 to the Capital Improvement Fund for its share of a new community center; and (the Cemetery Endowment Fund) transferred \$339 to the Cemetery Fund.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Huron County (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 6, 2006, which was qualified due to our inability to obtain sufficient evidential matter supporting capital assets, accumulated depreciation, depreciation expense, and related net asset restrictions of the governmental activities, the business-type activities, the Wastewater Pollution Fund, and the Water Fund. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the City's management dated February 6, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-003. In a separate letter to the City's management dated February 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and City Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 6, 2006

**CITY OF BELLEVUE
HURON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Material Weakness - Capital Assets

The City does not maintain an adequate detailed capital asset listing for capital assets. Also, depreciation expense was calculated by major class of assets rather than by individual asset or like assets. The failure to maintain an accurate capital asset listing and calculate depreciation by individual or like assets did not enable auditors to obtain sufficient evidential matter regarding the amounts reported for capital assets on the Statement of Net Assets and depreciation expense on the Statements of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds. This could increase the risk that capital assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

The City should have a formal policy in place to track additions and deletions and to maintain an up-to-date capital asset listing for all funds. The capital asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location and purchase date. The capital asset system should also assign each asset to a functional category so that the City can allocate depreciation expense to proper functions. The capital asset procedures should include documents for the addition and deletion of capital assets with signatures of the responsible officials and a procedure to report this information to the City Auditor. The policy should also require depreciation to be calculated by individual items or like assets. In addition, the City should adopt a capitalization policy for assets and set a dollar threshold for which items should be included.

FINDING NUMBER 2004-002

Reportable Condition - Monthly Reconciliations

The City Treasurer performed monthly reconciliations to the general checking bank account and the City Auditor's fund balances. The Treasurer's balance did not balance with the City Auditor's fund balance during the audit period.

The Treasurer did attempt to reconcile the payroll checking account; however, the reconciliation never balanced and unexplained reconciling items were not investigated thoroughly.

Also, some of the supporting adjustments used to attempt to get the books to agree for both the general and payroll reconciliations were not valid adjustments. The amount of the difference between the two amounts for both reconciliations varied with each month. No review of the bank reconciliations that were completed was made by the Finance Committee. The City currently carries forward any adjustments they make to the next bank statement. This could create an opportunity for errors or irregularities to go undetected. We recommend the Auditor and Treasurer correct posting errors and reconcile monthly to get the bank reconciliation and payroll reconciliations to balance with valid adjusting entries. The Finance Committee should review the reconciliations to ensure it is being prepared properly. Any discrepancies should be investigated immediately and corrections made.

FINDING NUMBER 2004-003

Material Noncompliance

Ohio Rev Code §5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission, or in the case of appeal, by the board of tax appeals. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Appropriations exceeded estimated revenues in the following funds:

Fund	Estimated Revenue	Appropriations	Excess
General Fund	\$8,563,837	\$9,108,225	(\$544,388)
Special Revenue Funds			
Fund 205 - Cemetary	\$89,499	\$148,270	(\$58,771)
Fund 209 - Hotel/Motel Tax	20,500	25,000	(\$4,500)
Fund 710 - Police Pension	154,758	171,500	(\$16,742)
Fund 225 - Firefighters Grant	\$175,380	\$195,842	(\$20,462)
Fund 223 - Industrial Area Project	2,684,070	2,785,000	(\$100,930)
Enterprise Funds			
Fund 510 - Water	\$4,123,708	\$4,425,795	(\$302,087)

Management was advised that the failure to have adequate estimated resources that support appropriations could result in expenditures to exceed available resources, further resulting in deficit spending practices. The Treasurer may request the Board to amend estimated resources, if necessary.

**CITY OF BELLEVUE
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC\$5705.39 Appropriations exceeded estimated resources	No	Not corrected – repeated as finding 2004-003 in this report.
2003-002	Material weakness regarding lack of capital asset support.	No	Not corrected – repeated as finding 2004-001 in this report.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF BELLEVUE

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2006**