CITY OF BELLEVUE, OHIO

Basic Financial Statements

Year Ended December 31, 2018

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Bellevue
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We have reviewed the *Independent Auditors' Report* of the City of Bellevue, Huron County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 2, 2018

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bellevue, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparisons for the General Fund and Parks and Recreation Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
During the year ended December 31, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the City restated net position at January 1, 2018 for the change in accounting principle (See Note 3). Our opinion is not modified with respect to this matter.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

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

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2019

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The discussion and analysis of the City of Bellevue's (the City) financial performance provides an overall view of the City's financial activities for the year ended December 31, 2018. 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 2018 are as follows:

- The City's net position increased $2,750,243 as a result of this year's operations. The net position of the City's governmental activities increased by $1,940,508, and net position for the City's business-type activities increased by $809,735.

- During the year, the City had expenses for governmental activities in the amount of $7,084,066, and program and general revenues of $9,024,574. Business-type activities applied program revenues of $6,175,986 to $5,366,251 of expenses in 2018.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all *assets and deferred outflows of resource*s, and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - Most of the City's programs and services are reported here, including Legislative and Executive, Judicial, Security of Persons and Property, Public Health and Welfare, Transportation, Community Environment, Transportation, and Leisure Time Activities.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Water Fund and Wastewater Pollution Fund are reported as business-type activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017:

Table 1 - Net Position

	Governmental Activities 2018	Business-Type Activities 2018	Total 2018	Total 2017 *
Assets				
Current and Other Assets	$ 8,076,409	$ 7,589,632	$ 15,666,041	$ 13,223,331
Capital Assets	15,031,416	25,780,681	40,812,097	40,112,135
Net Pension Asset	9,554	9,385	18,939	8,741
Total Assets	23,117,379	33,379,698	56,497,077	53,344,207
Deferred Outflows of Resources				
Deferral on Refunding	4,274	-	4,274	7,482
Pension	913,412	491,949	1,405,361	2,533,336
OPEB	348,772	77,239	426,011	33,341
Total Deferred Outflows of Resources	1,266,458	569,188	1,835,646	2,574,159
Liabilities				
Other Liabilities	217,676	302,167	519,843	487,714
Net Pension Liability	4,552,555	1,583,450	6,136,005	7,818,651
Net OPEB Liability	3,781,078	1,047,636	4,828,714	4,348,389
Long-Term Liabilities	644,879	4,178,095	4,822,974	5,292,574
Total Liabilities	9,196,188	7,111,348	16,307,536	17,947,328
Deferred Inflows of Resources				
Property Taxes	766,203	-	766,203	782,070
Pension	795,609	413,146	1,208,755	167,768
OPEB	189,657	89,129	278,786	-
Total Deferred Inflows of Resources	1,751,469	502,275	2,253,744	949,838
Net Position				
Net Investment in Capital Assets	14,733,884	21,820,797	36,554,681	35,448,731
Restricted	3,700,082	-	3,700,082	3,242,133
Unrestricted	(4,997,786)	4,514,466	(483,320)	(1,669,664)
Total Net Position	$ 13,436,180	$ 26,335,263	$ 39,771,443	$ 37,021,200

* Restated

The changes in deferred outflows of resources for Pension and OPEB, Net Pension Liability, Net OPEB Liability and deferred inflows of resources for Pension and OPEB are due to the recording of GASB 68 and 75 as described on the next page. Long-Term Liabilities (other than pension and OPEB) decreased by $469,600, mainly due to the principal payment of bonds and loans.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $14,835,100 to $11,495,672 for governmental activities and from $26,501,148 to $25,525,528 for business type activities.

Table 2 shows the changes in net position for the year 2018 compared to 2017:

Table 2 - Changes in Net Position

	Governmental Activities 2018	Business-Type Activities 2018	Total 2018	Total 2017
Revenues				
Program Revenues:				
Charges for Services	$ 798,786	$ 6,145,986	$ 6,944,772	$ 6,637,788
Operating Grants and Contributions	600,422	-	600,422	434,924
Capital Grants and Contributions	1,494,965	30,000	1,524,965	1,597,639
General Revenues:				
Municipal Income Taxes	4,758,581	-	4,758,581	3,764,995
Property Taxes	791,007	-	791,007	773,557
Grants and Entitlements	349,844	-	349,844	336,036
Investment Income	188,482	-	188,482	88,022
All Other Revenues	42,487	-	42,487	47,789
Total Revenues	9,024,574	6,175,986	15,200,560	13,680,750
Program Expenses				
General Government -Legislative and Executive	1,664,828	-	1,664,828	1,722,897
General Government -Judicial	349,524	-	349,524	373,844
Security of Persons and Property	2,937,807	-	2,937,807	2,959,847
Public Health and Welfare	132,909	-	132,909	125,857
Transportation	945,653	-	945,653	1,172,705
Community Environment	128,440	-	128,440	160,394
Leisure Time Activities	915,833	-	915,833	785,768
Interest and Fiscal Charges	9,072	-	9,072	11,881
Water	-	3,155,390	3,155,390	3,323,806
Wastewater Pollution	-	2,210,861	2,210,861	2,199,080
Total Expenses	7,084,066	5,366,251	12,450,317	12,836,079
Increase in Net Position	$ 1,940,508	$ 809,735	$ 2,750,243	$ 844,671

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $33,341 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $371,993. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business Type Activities	Total
Total 2018 program expenses under GASB 75	$ 7,084,066	$ 5,366,251	$ 12,450,317
OPEB expense under GASB 75	(287,943)	(84,050)	(371,993)
2018 contractually required contribution	5,408	144	5,552
Adjusted 2018 program expenses	6,801,531	5,282,345	12,083,876
Total 2017 program expenses under GASB 45	7,313,193	5,522,886	12,836,079
Decrease in program expenses not related to OPEB	$ (511,662)	$ (240,541)	$ (752,203)

Governmental Activities

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

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

Thus, the City depends on municipal income taxes due to the lack of property tax revenue growth. Municipal income and property taxes made up 61.49 percent of total revenues for governmental activities in calendar year 2018.

Total revenues increased by $1,309,284 in 2018. This was mainly due to an increase in operating grants and contributions and municipal income taxes. Operating grants and contributions increased due to an increase in recreation grants. Municipal income taxes increased due to an increase in cash collections and accruals for 2018. The income tax rate went from 1.5% to 2.0% effective July 1, 2018.

General Government – Legislative, Executive, and Judicial comprise 28.43 percent; Security of Persons and Property comprise 41.47 percent; Leisure Time Activities comprise 12.93 percent; and Transportation comprised 13.35 percent of governmental program expenses.

Total expenses decreased slightly by $229,127 in 2018. The decrease was mainly due to the decrease in transportation expense.

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

Table 3 - Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017
General Government - Legislative and Executive	$ 1,664,828	$ 1,558,382	$ 1,722,897
General Government - Judicial	349,524	126,501	373,844
Security of Persons and Property	2,937,807	2,830,694	2,959,847
Public Health and Welfare	132,909	113,359	125,857
Transportation	945,653	222,343	1,172,705
Community Environment	128,440	128,440	160,394
Leisure Time Activities	915,833	(798,898)	785,768
Interest and Fiscal Charges	9,072	9,072	11,881
Total Expenses	$ 7,084,066	$ 4,189,893	$ 7,313,193

The dependence upon tax revenues for governmental activities is apparent. 59.15 percent of program expenses and services are supported through taxes alone. The community, as a whole, is the primary support for the City.

Business-Type Activities

Business-type activities include the Water and Wastewater Pollution funds. These programs had total revenues of $6,175,986 and total expenses of $5,366,251 for the year 2018 for an increase in net position of $809,735. Business-type activities receive no support from tax revenues. Total revenues increased by $210,526, or 3.5 percent, in 2018 whereas total expenses decreased by $156,635, or 2.8 percent.

The City's Funds

Information about the City's major funds, which are the General Fund and the Parks and Recreation Special Revenue fund, starts on page 17. All governmental funds had total revenues (including other financing sources) of $8,957,396, and expenditures (including other financing uses) of $7,561,025. The General Fund, which is always a major fund, had a net increase in fund balance of $948,418 due to an increase in municipal income tax revenue.

General Fund Budgeting Highlights

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

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

For the General Fund, original and final budget basis revenue was $4,969,919, plus a beginning unobligated cash balance of $1,133,914, for an amount of $6,103,833. This estimate was applied to the final budget amount of expenditures and prior year encumbrances of $5,843,643, for a budget unobligated balance of $325,223. The City's General Fund actual ending unobligated cash balance was $1,809,883, for a favorable variance of $1,484,660.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had $40,812,097 invested in land and land improvements, buildings and improvements, furniture, fixtures, and equipment, vehicles, infrastructure, and construction in progress. $15,031,416 is reported in the governmental activities while $25,780,681 is reported in the business-type activities. Table 4 shows the 2018 balances compared to 2017.

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

	Governmental Activities 2018	Business-Type Activities 2018	Total 2018	Total 2017
Land and Land Improvements	$ 1,439,437	$ 2,796,359	$ 4,235,796	$ 4,103,466
Buildings and Improvements	6,880,715	16,802,165	23,682,880	23,158,990
Furniture, Fixtures, and Equipment	2,440,467	2,752,515	5,192,982	4,206,116
Vehicles	2,845,610	931,799	3,777,409	3,593,224
Infrastructure	16,700,932	20,252,824	36,953,756	35,746,193
Construction in Progress	534,035	129,698	663,733	1,195,961
Total Capital Assets	30,841,196	43,665,360	74,506,556	72,003,950
Accumulated Depreciation	(15,809,780)	(17,884,679)	(33,694,459)	(31,883,074)
Totals	$ 15,031,416	$ 25,780,681	$ 40,812,097	$ 40,120,876

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

Debt

At December 31, 2018, the City had $4,261,619 in bonds, loans, and capital leases outstanding with $614,229 due within one year. Table 5 summarizes bond and loans outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities 2018	Business-Type Activities 2018	Total 2018	Total 2017
Refunding Municipal Building Bond	$ 145,000	$ -	$ 145,000	$ 290,000
Capital Lease	-	251,491	251,491	294,099
Loan Payable	156,735	-	156,735	-
O.W.D.A. Loan	-	3,708,393	3,708,393	4,095,400
Total	$ 301,735	$ 3,959,884	$ 4,261,619	$ 4,679,499

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

For the Future

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

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

Contacting the City's Financial Management

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

Basic Financial Statements

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	$ 5,377,563	$ 6,320,148	$ 11,697,711
Cash and Cash Equivalents:			
In Segregated Accounts	2,758	-	2,758
Materials and Supplies Inventory	36,357	377,948	414,305
Accounts Receivable	55,073	891,536	946,609
Intergovernmental Receivable	333,155	-	333,155
Municipal Income Taxes Receivable	1,401,936	-	1,401,936
Property Taxes Receivable	789,649	-	789,649
Notes Receivable	47,234	-	47,234
Restricted Assets:			
Deposits	32,684	-	32,684
Nondepreciable Capital Assets	1,721,610	2,329,910	4,051,520
Depreciable Capital Assets	13,309,806	23,450,771	36,760,577
Net Pension Asset	9,554	9,385	18,939
Total Assets	23,117,379	33,379,698	56,497,077
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	4,274	-	4,274
Pension	913,412	491,949	1,405,361
OPEB	348,772	77,239	426,011
Total Deferred Outflows of Resources	1,266,458	569,188	1,835,646
LIABILITIES			
Accounts Payable	62,808	172,997	235,805
Accrued Wages and Benefits	61,675	33,947	95,622
Intergovernmental Payable	47,563	24,436	71,999
Accrued Interest Payable	272	46,913	47,185
Claims Payable	45,358	23,874	69,232
Long-term Liabilities:			
Due within one year	285,306	530,650	815,956
Due in more than one year:			
Net Pension Liability	4,552,555	1,583,450	6,136,005
Net OPEB Liability	3,781,078	1,047,636	4,828,714
Other Amounts	359,573	3,647,445	4,007,018
Total Liabilities	9,196,188	7,111,348	16,307,536
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	766,203	-	766,203
Pension	795,609	413,146	1,208,755
OPEB	189,657	89,129	278,786
Total Deferred Inflows of Resources	1,751,469	502,275	2,253,744
NET POSITION			
Net Investment in Capital Assets	14,733,884	21,820,797	36,554,681
Restricted for:			
Capital Projects	1,579,120	-	1,579,120
Debt Service	23,376	-	23,376
Community Development	486,845	-	486,845
Streets and Highways	531,355	-	531,355
Police and Fire	549,368	-	549,368
Recreation	194,389	-	194,389
Other Purposes	335,629	-	335,629
Unrestricted	(4,997,786)	4,514,466	(483,320)
Total Net Position	$ 13,436,180	$ 26,335,263	$ 39,771,443

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government:							
Legislative and Executive	$ 1,664,828	$ 106,446	$ -	$ -	$ (1,558,382)	$ -	$ (1,558,382)
Judicial	349,524	223,023	-	-	(126,501)	-	(126,501)
Security of Persons and Property	2,937,807	2,113	-	105,000	(2,830,694)	-	(2,830,694)
Public Health and Welfare	132,909	19,550	-	-	(113,359)	-	(113,359)
Transportation	945,653	-	401,610	321,700	(222,343)	-	(222,343)
Community Environment	128,440	-	-	-	(128,440)	-	(128,440)
Leisure Time Activities	915,833	447,654	198,812	1,068,265	798,898	-	798,898
Interest and Fiscal Charges	9,072	-	-	-	(9,072)	-	(9,072)
Total Governmental activities	7,084,066	798,786	600,422	1,494,965	(4,189,893)	-	(4,189,893)
Business-type activities:							
Water	3,155,390	2,976,009	-	30,000	-	(149,381)	(149,381)
Wastewater Pollution	2,210,861	3,169,977	-	-	-	959,116	959,116
Total Business-type activities	5,366,251	6,145,986	-	30,000	-	809,735	809,735
Totals	$ 12,450,317	$ 6,944,772	$ 600,422	$ 1,524,965	(4,189,893)	809,735	(3,380,158)
General Revenues:							
Property Taxes levied for:							
General Purposes					260,974	-	260,974
Other Purposes					530,033	-	530,033
Municipal Income Taxes levied for:							
General Purposes					4,758,581	-	4,758,581
Grants & Entitlements not restricted to specific programs					349,844	-	349,844
Investment Income					188,482	-	188,482
All Other Revenues					42,487	-	42,487
Total General Revenues					6,130,401	-	6,130,401
Change in Net Position					1,940,508	809,735	2,750,243
Net Position - Beginning of Year, Restated					11,495,672	25,525,528	37,021,200
Net Position - End of Year					$ 13,436,180	$ 26,335,263	$ 39,771,443

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	$ 1,905,054	$ 208,008	$ 3,264,501	$ 5,377,563
Cash and Cash Equivalents:				
In Segregated Accounts	2,758	-	-	2,758
Materials and Supplies Inventory	-	-	36,357	36,357
Accounts Receivable	51,410	-	3,663	55,073
Intergovernmental Receivable	121,553	14,576	197,026	333,155
Restricted Assets:				
Deposits	-	-	32,684	32,684
Municipal Income Taxes Receivable	1,401,936	-	-	1,401,936
Property Taxes Receivable	265,437	256,557	267,655	789,649
Notes Receivable	-	-	47,234	47,234
Total Assets	$ 3,748,148	$ 479,141	$ 3,849,120	$ 8,076,409
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 23,721	$ 11,271	$ 27,816	$ 62,808
Accrued Wages and Benefits	53,047	4,093	4,535	61,675
Intergovernmental Payable	23,942	3,131	20,490	47,563
Claims Payable	39,618	1,523	4,217	45,358
Total Liabilities	140,328	20,018	57,058	217,404
Deferred Inflows of Resources:				
Property Taxes	257,193	248,854	260,156	766,203
Unavailable Revenue - Delinquent Property Taxes	8,244	7,703	7,499	23,446
Unavailable Revenue - Municipal Income Taxes	529,589	-	-	529,589
Unavailable Revenue - Other	113,851	14,576	136,449	264,876
Total Deferred Inflows of Resources	908,877	271,133	404,104	1,584,114
Fund Balances:				
Nonspendable	-	-	36,357	36,357
Restricted	35,888	187,990	3,351,601	3,575,479
Assigned	1,344,150	-	-	1,344,150
Unassigned	1,318,905	-	-	1,318,905
Total Fund Balances	2,698,943	187,990	3,387,958	6,274,891
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,748,148	$ 479,141	$ 3,849,120	$ 8,076,409

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Funds Balance		$ 6,274,891
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds		15,031,416
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Municipal income taxes	529,589	
Delinquent property taxes	23,446	
Intergovernmental	219,678	
Charges for services	45,198	
Total		817,911
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(272)
The net pension liability/asset and net OPEB liability are not due and payable in the current period; therefore, the liability/assets and related deferred inflows/ outflows are not reported in governmental funds:		
Net Pension Asset	9,554	
Deferred Outflows - Pension	913,412	
Deferred Inflows - Pension	(795,609)	
Net Pension Liability	(4,552,555)	
Deferred Outflows - OPEB	348,772	
Deferred Inflows - OPEB	(189,657)	
Net OPEB Liability	(3,781,078)	
Total		(8,047,161)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(145,000)	
Loan Payable	(156,735)	
Unamortized bond premiums	(71)	
Deferral of loss on refunding	4,274	
Compensated absences	(343,073)	
Total		(640,605)
Net Position of Governmental Activities		$ 13,436,180

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 260,354	$ 251,872	$ 277,448	$ 789,674
Municipal Income Taxes	4,790,756	-	-	4,790,756
Intergovernmental	288,195	225,153	853,800	1,367,148
Interest	179,950	-	8,532	188,482
Fees, Licenses, and Permits	60,145	-	-	60,145
Fines and Forfeitures	202,854	-	24,208	227,062
Charges for Services	55,463	447,654	19,550	522,667
Contributions and Donations	-	2,812	-	2,812
All Other Revenues	33,132	20	9,335	42,487
Total Revenues	5,870,849	927,511	1,192,873	7,991,233
EXPENDITURES				
General Government:				
Legislative and Executive	1,429,383	-	-	1,429,383
Judicial	326,216	-	3,499	329,715
Security of Persons and Property	2,094,636	-	424,502	2,519,138
Public Health and Welfare	-	-	119,916	119,916
Transportation	-	-	355,742	355,742
Community Environment	106,033	-	13,975	120,008
Leisure Time Activities	-	765,177	7,898	773,075
Capital Outlay	-	214,488	582,234	796,722
Debt Service:		-		
Principal Retirement	-	-	145,000	145,000
Interest and Fiscal Charges	-	-	6,163	6,163
Total Expenditures	3,956,268	979,665	1,658,929	6,594,862
Excess of Revenues (Under) Expenditures	1,914,581	(52,154)	(466,056)	1,396,371
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	966,163	966,163
Transfers Out	(966,163)	-	-	(966,163)
Total Other Financing Sources (Uses)	(966,163)	-	966,163	-
Net Change in Fund Balances	948,418	(52,154)	500,107	1,396,371
Fund Balances - Beginning of Year	1,750,525	240,144	2,886,063	4,876,732
Increase (Decrease) in Inventory	-	-	1,788	1,788
Fund Balances - End of Year	$ 2,698,943	$ 187,990	$ 3,387,958	$ 6,274,891

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances-Total Governmental Funds		$ 1,396,371
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and contributions exceeded depreciation in the current period.		
Capital Outlay	$ 796,722	
Capital Contributions and Donations	1,225,000	
Loan Association with Capital Contribution	(156,735)	
Depreciation	(970,593)	
Total		894,394
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(32,175)	
Delinquent property taxes	1,333	
Intergovernmental	7,006	
Charges for services	(11,088)	
Total		(34,924)
Repayment of bond principal is an expenditure in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		145,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		403,931
OPEB		5,408
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net pension asset are reported as pension/OPEB expense in the statement of activities.		
Pension		(681,681)
OPEB		(287,946)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.		
Compensated absences	57,491	
Accrued interest on bonds	242	
Claims payable	43,585	
Amortization of bond premiums	57	
Amortization of loss on refunding	(3,208)	
Change in inventory	1,788	
Total		99,955
Change in Net Position of Governmental Activities		$ 1,940,508

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 259,044	$ 259,044	$ 260,354	$ 1,310
Municipal Income Taxes	4,100,000	4,100,000	4,494,841	394,841
Intergovernmental	275,500	275,500	288,452	12,952
Interest	83,000	83,000	179,950	96,950
Fees, Licenses, and Permits	54,275	54,275	73,088	18,813
Fines and Forfeitures	155,200	155,200	202,891	47,691
Charges for Services	10,900	10,900	50,463	39,563
All Other Revenues	32,000	32,000	22,686	(9,314)
Total Revenues	4,969,919	4,969,919	5,572,725	602,806
Expenditures:				
Current:				
General Government:				
Legislative and Executive	1,808,715	1,808,715	1,506,074	302,641
Judicial	386,093	386,093	319,974	66,119
Security of Persons and Property	2,488,835	2,538,835	2,066,026	472,809
Community Environment	143,000	143,000	103,552	39,448
Total Expenditures	4,826,643	4,876,643	3,995,626	881,017
Excess of Revenues Over (Under) Expenditures	143,276	93,276	1,577,099	1,483,823
Other Financing (Uses)				
Transfers Out	(967,000)	(967,000)	(966,163)	837
Net Change in Fund Balance	(823,724)	(873,724)	610,936	1,484,660
Fund Balance - Beginning of Year	1,133,914	1,133,914	1,133,914	-
Prior Year Encumbrances Appropriated	65,033	65,033	65,033	-
Fund Balance - End of Year	$ 375,223	$ 325,223	$ 1,809,883	$ 1,484,660

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL - PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 278,007	$ 278,007	$ 251,872	$ (26,135)
Intergovernmental	248,478	248,478	225,153	(23,325)
Charges for Services	495,196	495,196	448,711	(46,485)
Contributions and Donations	3,103	3,103	2,812	(291)
All Other Revenues	22	22	20	(2)
Total Revenues	1,024,806	1,024,806	928,568	(96,238)
Expenditures:				
Current:				
Leisure Time Activities	1,088,233	1,088,233	987,561	100,672
Net Change in Fund Balance	(63,427)	(63,427)	(58,993)	4,434
Fund Balance - Beginning of Year	247,255	247,255	247,255	-
Prior Year Encumbrances Appropriated	12,783	12,783	12,783	-
Fund Balance - End of Year	$ 196,611	$ 196,611	$ 201,045	$ 4,434

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
ASSETS			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 1,340,157	$ 4,979,991	$ 6,320,148
Materials and Supplies Inventory	344,244	33,704	377,948
Accounts Receivable	409,095	482,441	891,536
Total Current Assets	2,093,496	5,496,136	7,589,632
Noncurrent Assets:			
Capital Assets:			
Land	1,781,297	418,915	2,200,212
Construction in Progress	98,560	31,138	129,698
Depreciable Assets, Net of Depreciation	11,437,468	12,013,303	23,450,771
Net Pension Asset	5,712	3,673	9,385
Total Noncurrent Assets	13,323,037	12,467,029	25,790,066
Total Assets	15,416,533	17,963,165	33,379,698
DEFERRED OUTFLOWS OF RESOURCES			
Pension	337,404	154,545	491,949
OPEB	47,011	30,228	77,239
Total Deferred Outflows of Resources	384,415	184,773	569,188
LIABILITIES			
Current Liabilities:			
Accounts Payable	101,610	71,387	172,997
Accrued Wages and Benefits	20,750	13,197	33,947
Intergovernmental Payable	15,392	9,044	24,436
Accrued Interest Payable	279	46,634	46,913
Compensated Absences Payable	48,427	41,739	90,166
Claims Payable	12,406	11,468	23,874
OWDA Loans Payable	-	396,742	396,742
Capital Leases Payable	21,871	21,871	43,742
Total Current Liabilities	220,735	612,082	832,817
Noncurrent Liabilities:			
Compensated Absences Payable	66,074	61,971	128,045
OWDA Loans Payable	-	3,311,651	3,311,651
Capital Leases Payable	104,218	103,531	207,749
Net Pension Liability	963,769	619,681	1,583,450
Net OPEB Liability	637,645	409,991	1,047,636
Total Noncurrent Liabilities	1,771,706	4,506,825	6,278,531
Total Liabilities	1,992,441	5,118,907	7,111,348
DEFERRED INFLOWS OF RESOURCES			
Pension	228,670	184,476	413,146
OPEB	54,248	34,881	89,129
Total Deferred Inflows of Resources	282,918	219,357	502,275
NET POSITION			
Net Investment in Capital Assets	13,191,236	8,629,561	21,820,797
Unrestricted	334,353	4,180,113	4,514,466
Total Net Position	$ 13,525,589	$ 12,809,674	$ 26,335,263

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
OPERATING REVENUES			
Charges for Services	$ 2,969,395	$ 3,151,440	$ 6,120,835
Miscellaneous	-	18,537	18,537
Other Services	3,814	-	3,814
Total Operating Revenues	2,973,209	3,169,977	6,143,186
OPERATING EXPENSES			
Salaries	1,298,264	861,884	2,160,148
Materials and Supplies	656,999	220,957	877,956
Contractual Services	822,041	562,396	1,384,437
Depreciation	374,199	466,593	840,792
Other	21	21	42
Total Operating Expense	3,151,524	2,111,851	5,263,375
Operating Income (Loss)	(178,315)	1,058,126	879,811
NONOPERATING REVENUES (EXPENSES)			
Interest and Fiscal Charges	(3,866)	(99,010)	(102,876)
Tap-In Fees	2,800	-	2,800
Total Nonoperating Revenues (Expenses)	(1,066)	(99,010)	(100,076)
Capital Contributions from Grants	30,000	-	30,000
Change in Net Position	(149,381)	959,116	809,735
Net Position - Beginning of Year, Restated	13,674,970	11,850,558	25,525,528
Net Position - End of Year	$ 13,525,589	$ 12,809,674	$ 26,335,263

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds		
	Water Fund	Wastewater Pollution Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Charges for Services	$ 2,929,676	$ 3,123,456	$ 6,053,132
Cash Payments to Employees for Services	(1,104,821)	(754,578)	(1,859,399)
Cash Payments for Goods and Services	(1,501,140)	(738,216)	(2,239,356)
Other Cash Payments	(21)	(21)	(42)
Net Cash Provided by Operating Activities	323,694	1,630,641	1,954,335
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tap-In Fees	2,800	-	2,800
Net Cash Provided by Noncapital Financing Activities	2,800	-	2,800
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants Received	30,000	-	30,000
Principal Paid on Debt	(21,304)	(408,311)	(429,615)
Interest Paid on Debt	(3,913)	(103,894)	(107,807)
Payments for Capital Acquisitions	(292,203)	(188,681)	(480,884)
Net Cash Used in Capital and Related Financing Activities	(287,420)	(700,886)	(988,306)
Net Increase in Cash and Cash Equivalents	39,074	929,755	968,829
Cash and Cash Equivalents - Beginning of Year	1,301,083	4,050,236	5,351,319
Cash and Cash Equivalents - End of Year	$ 1,340,157	$ 4,979,991	$ 6,320,148
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ (178,315)	$ 1,058,126	$ 879,811
Adjustments:			
Depreciation	374,199	466,593	840,792
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	(43,533)	(46,521)	(90,054)
Materials and Supplies Inventory	(68,664)	6,843	(61,821)
Net Pension Asset	(3,512)	(1,847)	(5,359)
Deferred Outflows of Resources - Pension	138,094	240,099	378,193
Deferred Outflows of Resources - OPEB	(38,604)	(24,822)	(63,426)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	46,564	38,294	84,858
Accrued Wages and Benefits	2,523	1,945	4,468
Intergovernmental Payable	3,986	1,870	5,856
Claims Payable	1,687	639	2,326
Compensated Absences Payable	(6,439)	12,267	5,828
Net Pension Liability	(214,461)	(358,198)	(572,659)
Net OPEB Liability	35,425	22,778	58,203
Deferred Inflows of Resources - Pension	220,496	177,694	398,190
Deferred Inflows of Resources - OPEB	54,248	34,881	89,129
Net Cash Provided by Operating Activities	$ 323,694	$ 1,630,641	$ 1,954,335

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2018

	Private Purpose Trusts	Agency Funds
Assets		
Equity in Pooled Cash and Cash Equivalents	$ 110,848	$ 29,696
Cash and Cash Equivalents:		
in Segregated Accounts	-	2,172
Accounts Receivable	-	905
Total Assets	110,848	$ 32,773
Liabilities		
Undistributed Monies	-	32,773
Total Liabilities	-	$ 32,773
Net Position		
Held in Trust for Perpetual Care and Other Purposes	110,848	
Total Net Position	$ 110,848	

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

CITY OF BELLEVUE
HURON COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Private Purpose Trusts
Additions	
Interest Income	$ 419
All Other Revenues	495
Total Revenues	914
Change in Net Position	914
Net Position - Beginning of Year	109,934
Net Position - End of Year	$ 110,848

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

Notes to the Basic Financial Statements

NOTE 1: DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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

C. Measurement Focus

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding, pension and OPEB reported in the government-wide Statement of Net Position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds' balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amount became available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. The deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are explained in Notes 14 and 15.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget

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

Tax Budget
A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, for the period January 1 to December 31 of the following year. This requirement was waived by the Sandusky County Auditor for calendar year 2018. All City funds are legally required to be budgeted. The purpose of the tax budget is to reflect the need for existing or increased tax rate.

Estimated Resources
The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (Continued)

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

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

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

F. Equity in Pooled Cash and Cash Equivalents and Investments

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

During 2018, investments were limited to STAR Ohio, the State Treasurer’s investment pool. The City’s investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The city measurers their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during year 2018 amounted to $179,950, which included $113,116 assigned from other funds of the City.

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

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

G. Inventories

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

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

H. Capital Assets

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Fund Balance

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

N. Net Position

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Estimates

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

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business Type Activities
Net Position December 31, 2017	$ 14,835,100	$ 26,501,148
Adjustments:		
Net OPEB liability	(3,358,956)	(989,433)
Deferred Outflow - Payments Subsequent to Measurement Date	19,528	13,813
Restated Net Position December 31, 2017	$ 11,495,672	$ 25,525,528

	Water Fund	Wastewater Pollution Fund	Total Business Type
Net Position December 31, 2017	$ 14,268,783	$ 12,232,265	$ 26,501,048
Adjustments:			
Net OPEB liability	(602,220)	(387,213)	(989,433)
Deferred Outflow - Payments Subsequent to Measurement Date	8,407	5,406	13,813
Restated Net Position December 31, 2017	$ 13,674,970	$ 11,850,458	$ 25,525,428

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements were not available.

NOTE 4: BUDGET BASIS OF ACCOUNTING

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

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

NOTE 4: BUDGET BASIS OF ACCOUNTING (Continued)

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

(c) Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balances (GAAP basis).

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

Net Change in Fund Balance

	General	Parks and Recreation
GAAP Basis	$ 948,418	$ (52,154)
Increase (Decrease) Due to:		
Revenue Accruals	(298,124)	1,057
Expenditure Accruals	55,118	(933)
Outstanding Encumbrances	(94,476)	(6,963)
Budgetary Basis	$ 610,936	$ (58,993)

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

6. The State Treasurer's investment pool (STAR Ohio);

7. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;

8. High grade commercial paper in an amount not to exceed five percent of the City's total average portfolio;

9. Bankers' acceptances and commercial paper notes in an amount not to exceed two hundred and seventy days and in an amount not to exceed ten percent of the City's total average portfolio; and

10. Under limited circumstances, corporate debt interests rated in any of the three highest rating classifications by at least two nationally recognized rating agencies.

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Cash On Hand

At year-end, $1,280 was on hand throughout the City in the form of drawer change and petty cash.

Deposits

At year-end, the carrying amount of the City's deposits was $2,049,447 and the bank balance was $2,338,736. Of the total bank balance, $413,136 was covered by the Federal Deposit Insurance Corporation (FDIC) and $1,925,600 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

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

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

Statutes authorize the City to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, and repurchase agreements. STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The following table identify the City's recurring fair value measurement as of December 31, 2018. As previously discussed, Star Ohio is reported at its net asset value.

Investment Type	Investment Maturity (In Years)	Credit Rating	Net Asset Value
STAR Ohio	< 3 months	AAAm	$9,792,458
Total Investments			$9,792,458

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

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

	Reconciliation to the Statement of Net Position
City's Deposits	$2,049,447
Petty Cash and Drawer Change	1,280
Investments	9,792,458
Total	$11,843,185
Per Statement of Net Position	
Government-wide Statement of Net Position:	
Equity in Pooled Cash and Cash Equivalents	$11,697,711
Cash and Cash Equivalents in Segregated Accounts	2,758
Statement of Fiduciary Net Position:	
Equity in Pooled Cash and Cash Equivalents	140,544
Cash and Cash Equivalents in Segregated Accounts	2,172
Total	$11,843,185

NOTE 6: RECEIVABLES

Receivables at December 31, 2018, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements, shared revenues, accounts, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2018, the lien date. State law at 35 percent of appraised market value establishes assessed values. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $6.60 per $1,000 of assessed value. The 2017 assessed values of real estate and public utility property upon which the 2018 property tax receipts were based on are as follows:

	Sandusky County	Huron County	Erie County
Real Estate:			
Residential/Agricultural	$53,799,350	$34,830,870	$197,330
Commercial/Industrial	23,944,710	17,055,570	0
Total Real Estate	77,744,060	51,886,440	197,330
Public Utility:			
Real	16,520	7,215,930	0
Personal	2,178,680	4,284,700	0
Total Public Utility	2,195,200	11,500,630	0
Total Assessed Valuation	$79,939,260	$63,387,070	$197,330

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.

NOTE 6: RECEIVABLES (Continued)

Property Taxes (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellevue. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real property, tangible personal property, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2018, 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 2018 operations.

Income Taxes

Early in 2018, voters approved an increase in the income tax rate from 1.5 percent to 2.0 percent effective July 1, 2018. The City levies income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having a lower income tax rate must pay the difference to the City. Additional increases in the income tax rate require voter approval.

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

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

Intergovernmental Receivable

A summary of intergovernmental receivable follows:

Governmental Activities	Amounts
Local Government and Local Government Revenue Assistance	$ 85,490
Homestead and Rollback	41,906
Gasoline Tax	147,066
Motor Vehicle License Fees	34,103
Permissive Motor Vehicle License Tax	3,453
Bureau of Workers Compensation	9,533
Muni Court	11,604
Total	$ 333,155

NOTE 7: REVOLVING LOAN PROGRAM

The revolving loan program offers incentives in the form of low-interest revolving loans, deferred loan payments, and interest and tax abatements which are offered to attract prospective firms. The City loans money for the purchase or improvement of industrial sites. The following notes receivable are secured by mortgages on the property and equipment purchased with loan monies. Balances outstanding at December 31, 2018 were as follows:

	Rate	Beginning Balance 2017	Issuance	Paid	Ending Balance 2018
Selbro, Inc.	3%	$ 45,161	$ -	$ 12,357	$ 32,804
A La Chic	3%	17,309	-	2,879	14,430
		$ 62,470	$ -	$ 15,236	$ 47,234

NOTE 8: RISK MANAGEMENT

The City provides employee medical/vision/prescription drug benefits through a self-insured plan. The plan provides medical/vision/prescription drug benefits, which are 100 percent paid of reasonable and customary charges. Major medical expense coverage includes deductibles of $500 for individual and $1,000 for family plans, subject to discounts for wellness tests, and followed by a 10 percent employee co-payment. A third party administrator, HealthSmart, reviews, processes, and pays all claims. The City purchased stop-loss coverage of $500,000 per individual from Sun Life through Jefferson Health Plan. There is an internal pool from $35,000 to $499,999 for stop loss coverage. The premiums are paid by the fund that paid the salary for the employee and is based on historical cost information.

The liability for unpaid claims of $69,232 reported at December 31, 2018, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in the City's claims liability amount in 2017 and 2018 were as follows:

	Beginning of Year	Claims	Claim Payments	End of Year
2017	$144,014	$731,829	($810,710)	$65,133
2018	65,133	682,237	(678,138)	69,232

NOTE 8: RISK MANAGEMENT (Continued)

The City is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted with USI Insurance Services, LLC. for property, fleet, crime, and liability insurance which are insured through Argonaut Insurance Group. Coverage provided is as follows:

Building and Contents-		
Replacement Cost	$2,500 Deductible, 90% Co-Insured	$ 50,237,744
Commercial General Liability:	Aggregate	3,000,000
	Per Occurrence Limit	1,000,000
Public Officials Liability:	Aggregate	2,000,000
	Each Claim	1,000,000
Employment Practices:	Aggregate	2,000,000
	Each Claim	1,000,000
Law Enforcement	Aggregate	2,000,000
	Each Claim ($5,000 Deductible)	1,000,000
Automobile:		
Comprehensive	$500 Deductible	1,000,000
Collision	$500 Deductible	1,000,000
Inland Marine	$500 Deductible	2,164,926
Public Employee Dishonesty	$500 Deductible/Per Loss	50,000
Forgery or Alteration	$250 Deductible/Per Loss	5,000
Theft, Disappearance, and Destruction	$250 Deductible, Inside and Outside	5,000

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

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,187,575	$ -	$ -	$ 1,187,575
Construction in Progress	1,195,961	545,637	(1,207,563)	534,035
Total Capital Assets Not Being Depreciated	2,383,536	545,637	(1,207,563)	1,721,610
Capital Assets Being Depreciated				
Land Improvements	119,532	132,330	-	251,862
Buildings and Improvements	6,379,445	501,270	-	6,880,715
Furniture, Fixtures, and Equipment	1,680,685	759,782	-	2,440,467
Vehicles	2,762,907	82,703	-	2,845,610
Infrastructure:				
Street Base	3,575,809	-	-	3,575,809
Street Surface	7,915,077	-	-	7,915,077
Street Storm Sewers	1,272,027	-	-	1,272,027
Street Lighting	2,667,190	-	-	2,667,190
Culverts	63,266	-	-	63,266
Sidewalks	-	1,207,563	-	1,207,563
Total Capital Assets Being Depreciated	26,435,938	2,683,648	-	29,119,586
Total Capital Assets at Cost	28,819,474	3,229,285	(1,207,563)	30,841,196
Less: Accumulated Depreciation:				
Land Improvements	(97,067)	(6,073)	-	(103,140)
Buildings and Improvements	(4,149,414)	(149,623)	-	(4,299,037)
Furniture, Fixtures, and Equipment	(764,317)	(157,009)	-	(921,326)
Vehicles	(2,361,078)	(124,114)	-	(2,485,192)
Infrastructure:				
Street Base	(1,711,814)	(44,698)	-	(1,756,512)
Street Surface	(3,564,274)	(318,899)	-	(3,883,173)
Street Storm Sewers	(537,973)	(15,900)	-	(553,873)
Street Lighting	(1,652,064)	(133,360)	-	(1,785,424)
Culverts	(1,186)	(791)	-	(1,977)
Sidewalks	-	(20,126)		(20,126)
Total Accumulated Depreciation	(14,839,187)	(970,593) *	-	(15,809,780)
Total Capital Assets Being Depreciated, Net	11,596,751	1,713,055	-	13,309,806
Total Governmental Activities Capital Asset, Net	$ 13,980,287	$ 2,258,692	$ (1,207,563)	$ 15,031,416

*Depreciation expense was charged to governmental functions as follows:

General Government - Legislative	$ 165,886
General Government - Judicial	791
Security of Persons and Property	122,644
Public Health and Welfare	1,150
Transportation	572,159
Leisure Time Activities	107,963
Total Depreciation Expense	$ 970,593

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Business-Type Activities - Water Fund:				
Capital Assets Not Being Depreciated				
Land	$ 1,781,297	$ -	$ -	$ 1,781,297
Construction in Progress	-	98,560	-	98,560
Total Capital Assets Not Being Depreciated	1,781,297	98,560	-	1,879,857
Capital Assets Being Depreciated				
Land Improvements	20,297	-	-	20,297
Buildings and Improvements	8,634,355	-	-	8,634,355
Furniture, Fixtures, and Equipment	617,557	161,104	-	778,661
Vehicles	446,787	32,539	-	479,326
Infrastructure	11,274,238	-	-	11,274,238
Total Capital Assets Being Depreciated	20,993,234	193,643	-	21,186,877
Total Capital Assets at Cost	22,774,531	292,203	-	23,066,734
Less: Accumulated Depreciation:				
Land Improvements	(7,442)	(1,353)	-	(8,795)
Buildings and Improvements	(5,540,275)	(124,991)	-	(5,665,266)
Furniture, Fixtures, and Equipment	(265,307)	(54,267)	-	(319,574)
Vehicles	(295,436)	(65,052)	-	(360,488)
Infrastructure	(3,266,750)	(128,536)	-	(3,395,286)
Total Accumulated Depreciation	(9,375,210)	(374,199)	-	(9,749,409)
Total Capital Assets Being Depreciated, Net	11,618,024	(180,556)	-	11,437,468
Total Business-Type Activities Capital Assets - Water Fund, Net	$ 13,399,321	$ (81,996)	$ -	$ 13,317,325
Business-Type Activities - Wastewater Pollution Fund:				
Capital Assets Not Being Depreciated				
Land	$ 418,915	$ -	$ -	$ 418,915
Construction in Progress	-	31,138	-	31,138
Total Capital Assets Not Being Depreciated	418,915	31,138	-	450,053
Capital Assets Being Depreciated				
Land Improvements	575,850	-	-	575,850
Buildings and Improvements	8,145,190	22,620	-	8,167,810
Furniture, Fixtures, and Equipment	1,907,874	65,980	-	1,973,854
Vehicles	383,530	68,943	-	452,473
Infrastructure	8,978,586	-	-	8,978,586
Total Capital Assets Being Depreciated	19,991,030	157,543	-	20,148,573
Total Capital Assets at Cost	20,409,945	188,681	-	20,598,626
Less: Accumulated Depreciation:				
Land Improvements	(155,395)	(15,767)	-	(171,162)
Buildings and Improvements	(2,736,933)	(197,281)	-	(2,934,214)
Furniture, Fixtures, and Equipment	(1,286,059)	(85,333)	-	(1,371,392)
Vehicles	(229,996)	(55,954)	-	(285,950)
Infrastructure	(3,260,294)	(112,258)	-	(3,372,552)
Total Accumulated Depreciation	(7,668,677)	(466,593)	-	(8,135,270)
Total Capital Assets Being Depreciated, Net	12,322,353	(309,050)	-	12,013,303
Total Business-Type Activities Capital Assets - Wastewater Pollution, Net	$ 12,741,268	$ (277,912)	$ -	$ 12,463,356
Business-type Activities Capital Assets, Net	$ 26,140,589	$ (359,908)	$ -	$ 25,780,681

NOTE 10: COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable. Sick leave accumulates at various rates as defined by City policy and union contracts. Up to three times a year, employees may choose to convert sick leave to cash to be paid at various rates of pay and various percentages of current pay, subject to City policy and union contracts, provided the total accrued and unused sick leave hours does not fall below a certain minimum hours specified in the union contract. Employees who have one year of service, are entitled to receive pay for all accrued but unused sick leave upon resignation or retirement paid at various rates of pay and various percentages of current pay, subject to City policy and union contracts. At December 31, 2018, a liability has been recognized in the accompanying financial statements for sick leave for employees in the amount $359,557.

A liability for accrued compensatory time, holiday, personal leave, and vacation for $201,727 has been recognized. City employees earn vacation at varying rates depending on the length of service as defined by City policy and union contracts. Vacation leave may be accumulated up to a maximum of three times the employee’s annual vacation allowance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 11: LONG TERM LIABILITIES

	Restated Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
$1,110,000 Municipal Building					
2012 1.00% - 2.25%	$ 290,000	$ -	$ 145,000	$ 145,000	$ 145,000
Unamortized Bond Premium	128	-	57	71	-
Total General Obligation Bonds	290,128	-	145,057	145,071	145,000
Loan Payable	-	156,735	-	156,735	28,745
Net Pension Liability					
OPERS	2,524,980	-	912,772	1,612,208	-
OP&F	3,137,562	-	197,215	2,940,347	-
Total Net Pension Liability	5,662,542	-	1,109,987	4,552,555	-
Net OPEB Liability					
OPERS	1,007,404	59,259	-	1,066,663	-
OP&F	2,351,552	362,863	-	2,714,415	-
Total Net OPEB Liability	3,358,956	422,122	-	3,781,078	-
Compensated Absences	400,564	71,118	128,609	343,073	111,561
Total Government Activities	$ 9,712,190	$ 649,975	$ 1,383,653	$ 8,978,512	$ 285,306

continued

NOTE 11: LONG TERM LIABILITIES (Continued)

	Restated Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018	Due Within One Year
Business-Type Activities:					
O.W.D.A Loan:					
$7,627,918 WWTP Improvement	$ 4,095,400	$ -	$ 387,007	$ 3,708,393	$ 396,742
Total O.W.D.A Loan	4,095,400	-	387,007	3,708,393	396,742
Capitalized Lease Agreement:					
$426,371 Vactor Truck, 2015	294,099	-	42,608	251,491	43,742
Net Pension Liability - OPERS	2,156,109	-	572,659	1,583,450	-
Net OPEB Liability - OPERS	989,433	58,203	-	1,047,636	-
Compensated Absences	212,383	88,453	82,625	218,211	90,166
Total Business-Type Activities	$ 7,747,424	$ 146,656	$ 1,084,899	$ 6,809,181	$ 530,650

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

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

The outstanding O.W.D.A. loan consists of a loan agreement between the City and the Ohio Water Development Authority for construction of a wastewater treatment facility. The loan will be paid from resources of the Wastewater Pollution fund.

During 2018, the City received $1,225,000 in donated assets from Bellevue Recreation Club and then entered into a loan agreement in the amount of $156,735 with Bellevue Recreation Club to make the remaining loan payments on the donated assets.

See note 12 for further information regarding the capital lease.

There is no repayment schedule for the net pension and net OPEB liability. However, employer pension contributions are made from the following funds; the general fund, street construction, cemetery, park and recreation, the police pension, fire pension, and firefighter grant special revenue funds, and the water and wastewater pollution funds. See notes 14 and 15 for further information regarding net pension and net OPEB liability.

The annual requirements to amortize all debts outstanding as of December 31, 2018 are as follows:

NOTE 11: LONG TERM LIABILITIES (Continued)

	Governmental Activities				Business-Type Activities	
	General Obligation		Loan Payable		OWDA Loans	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 145,000	$ 3,263	$ 28,745	$ 6,106	$ 396,742	$ 90,246
2020	-	-	29,991	4,860	406,723	80,265
2021	-	-	31,291	3,560	416,954	70,033
2022	-	-	32,647	2,204	427,443	59,544
2023	-	-	34,061	779	438,196	48,792
2024-2027	-	-	-	-	1,622,335	82,124
Totals	$ 145,000	$ 3,263	$ 156,735	$ 17,509	$ 3,708,393	$ 431,004

NOTE 12: CAPITAL LEASE

In prior years, the City entered into a lease agreement as lessee for financing the acquisition of a Vactor Truck. The lease agreement qualified as a capital lease for accounting purposes (title transferable at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The cost of this capital lease is included in the business-type activities. The original cost of the asset acquired under capital lease and included in the governmental activities was $426,371 and the net book value at December 31, 2018 was $142,834. The following is a schedule of the future minimum lease payments for capital leases and the present value of net minimum lease payments as of December 31, 2018:

Year	Payments
2019	50,434
2020	213,186
Total Minimum Lease Pmts.	263,620
Less: Amount Representing Interest	(12,129)
Present Value of Minimum Lease Pmts.	$ 251,491

NOTE 13: CONDUIT DEBT

To provide for the acquisition, construction, and equipping of a replacement acute care hospital in the City and other hospital facilities, the City issued Hospital Revenue Bonds dated August 26, 2004. These bonds are special limited obligations of the City, payable solely from the revenues, as defined in the Bond Indenture, and other amounts derived from its ownership, leasing, sale, or subleasing of the existing facilities. The bonds do not constitute a debt or pledge of the faith and credit of the City or the State, and accordingly have not been reported in the accompanying financial statements. In February 2012, the City refunded the old issue of $8,474,000 for refunding bonds of $8,310,000 for the purpose of reducing the interest that would be paid from 9 percent to 5.75 percent. As of December 31, 2018, Hospital Facilities Revenue Bonds outstanding aggregated $7,845,000.

NOTE 14: DEFINED BENEFIT PENSION PLANS

Net Pension Liability and Net Pension Asset

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

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

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

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

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

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was $376,945 for 2018. Of this amount, $38,159 is reported as an intergovernmental payable.

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

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

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $213,762 for 2018. Of this amount, $20,102 is reported as an intergovernmental payable.

<u>Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.020614%	0.015706%	0.034566%	0.014970%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.020370%	0.013912%	0.032194%	0.015714%	
Change in Proportionate Share	-0.000244%	-0.001794%	-0.002372%	0.000744%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 3,195,658	$ (18,939)	$ 1,975,889	$ 964,458	$ 6,117,066
Pension Expense	$ 725,247	$ 3,147	$ 224,665	$ 113,762	$ 1,066,821

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Plan	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources					
Changes of assumptions	$ 381,901	$ 1,655	$ 86,100	$ 42,027	$ 511,683
Differences between expected and actual experience	3,264	0	29,986	14,637	47,887
Changes in proportion and differences between City contributions and proportionate share of contributions	129,104	1,000	78,552	46,429	255,085
City contributions subsequent to the measurement date	368,327	8,617	141,682	72,080	590,706
Total Deferred Outflows of Resources	$882,596	$11,272	$336,320	$175,173	$1,405,361
Deferred Inflows of Resources					
Net difference between projected and actual earnings on pension plan investments	$686,068	$2,987	$68,352	$33,362	$790,769
Differences between expected and actual experience	62,975	5,644	3,573	1,745	73,937
Changes in proportion and differences between City contributions and proportionate share of contributions	126,336	254	170,865	46,594	344,049
Total Deferred Inflows of Resources	$875,379	$8,885	$242,790	$81,701	$1,208,755

$590,706 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

	OPERS Traditional Pension Plan	OPERS Combined Plan	OP&F Police	OP&F Fire	Total
Year Ending December 31:					
2019	$300,134	($861)	$38,745	$23,015	$361,033
2020	(77,220)	(940)	20,774	14,241	($43,145)
2021	(302,105)	(1,609)	(50,020)	(20,313)	($374,047)
2022	(281,919)	(1,541)	(56,552)	(16,352)	($356,364)
2023	0	(491)	(1,150)	16,556	14,915
Thereafter	0	(788)	51	4,245	3,508
Total	($361,110)	($6,230)	($48,152)	$21,392	($394,100)

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

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

City's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	$5,674,675	3,195,658	$1,128,905
Combined Plan	($10,295)	(18,939)	($24,902)

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is now known, is has the potential to impact the City's net pension liability.

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	2.20 percent and 3.00 percent Simple

Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent. For disabled retirees, the mortality rates were based on the RP2014 Disabled Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale.

The most recent experience study was completed January 1, 2017.

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

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.22 %	4.36 %
Non-US Equity	16.00	4.41	5.59
Core Fixed Income *	23.00	1.57	2.71
U.S. Inflation Linked Bonds *	17.00	0.98	2.52
High Yield	7.00	2.94	4.71
Real Estate	12.00	5.58	6.34
Private Markets	8.00	6.67	8.08
Master Limited Partnerships	8.00	7.50	79.93
Private Credit	5.00	6.93	7.26
Real Assets	8.00	6.88	7.24
Total	120.00 %		

Note: Assumptions are geometric
* levered 2x
** numbers are net of expected inflation

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NOTE 14: DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 4,076,091	$ 2,940,347	$ 2,014,043

NOTE 15: <u>DEFINED BENEFIT OPEB PLANS</u>

<u>Net OPEB Liability</u>

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $290 for 2018.

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

Plan Description **–** The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contractually required contribution to OP&F was $5,262 for 2018. Of this amount, $493 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.019770%	0.049540%	
Proportion of the Net OPEB Liability Current Measurement Date	0.019470%	0.047908%	
Change in Proportionate Share	-0.000300%	-0.001632%	
Proportionate Share of the Net OPEB Liability	$ 2,114,299	$ 2,714,415	$ 4,828,714
OPEB Expense	$ 169,626	$ 202,367	$ 371,993

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$1,647	$0	$1,647
Changes of assumptions	153,943	264,869	418,812
City contributions subsequent to the measurement date	290	5,262	5,552
Total Deferred Outflows of Resources	$155,880	$270,131	$426,011
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$13,690	$13,690
Net difference between projected and actual earnings on OPEB plan investments	157,501	17,867	175,368
Changes in proportion and differences between City contributions and proportionate share of contributions	22,376	67,352	89,728
Total Deferred Inflows of Resources	$179,877	$98,909	$278,786

$5,552 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$24,316	$22,408	$46,724
2020	24,316	22,408	46,724
2021	(33,543)	22,408	(11,135)
2022	(39,376)	22,409	(16,967)
2023	0	26,875	26,875
Thereafter	0	49,452	49,452
Total	($24,287)	$165,960	$141,673

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table on the next page displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$2,808,937	$2,114,299	$1,552,343

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$2,022,933	$2,114,299	$2,208,677

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 6.50 percent to 6.00 percent. Although the exact amount of these changes is now known, is has the potential to impact the City's net OPEB liability.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

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

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$3,393,051	$2,714,415	$2,192,234

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

NOTE 15: DEFINED BENEFIT OPEB PLANS (Continued)

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$2,108,606	$2,714,415	$3,530,840

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

NOTE 16: COMMITMENTS

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

Significant encumbrances as of December 31, 2018 were:

Fund	Oustanding Encumbrances
Major Governmental Funds:	
General	$ 71,609
Capital Improvement	14,036
Non-major Governmental Funds	2,079
	$ 87,724

NOTE 17: CONTINGENT LIABILITIES

A. Federal and State Grants

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

B. Litigation

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

NOTE 18: INSURANCE POOLS

Ohio Rural Water Association Workers' Compensation Group Rating Plan

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

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

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NOTE 19: FUND BALANCES

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

Fund Balances	General	Parks and Recreation	Other Governmental Funds	Total
Nonspendable				
Inventories	$ -	$ -	$ 36,357	$ 36,357
Total Nonspendable	-	-	36,357	36,357
Restricted for				
Parks and Recreation	-	187,990	-	187,990
Police Pension	-	-	61,242	61,242
Fire Pension	-	-	33,073	33,073
Firefighter Grant	-	-	26	26
Law Enforcement	-	-	47,956	47,956
Street Construction	-	-	318,255	318,255
State Highway Improvements	-	-	13,408	13,408
Motor Vehicle License	-	-	76,599	76,599
Cemetery	-	-	49,732	49,732
EMS Contract	-	-	429,945	429,945
Clerk of Court Computer	-	-	58,931	58,931
Railroad Crossing Improvement	-	-	94,251	94,251
Revolving Loans	-	-	486,845	486,845
Capital Improvement	-	-	327,402	327,402
Street Sweeper	-	-	27,175	27,175
Elm Street Drainage	-	-	82,943	82,943
Special Fire Equipment	-	-	664,128	664,128
Storm Water Pump Station	-	-	59,781	59,781
Probation Service	-	-	36,350	36,350
Bellevue Central Park	-	-	33,072	33,072
Police Training	-	-	9,420	9,420
Special Assessment Sewer	-	-	19,349	19,349
Special Assessment Water Main	-	-	4,027	4,027
Paving Projects	-	-	417,691	417,691
K-9 Unit	35,888	-	-	35,888
Total Restricted	35,888	187,990	3,351,601	3,575,479
Assigned to				
Fiscal Year 2019 Appropriations	1,272,541	-	-	1,272,541
Purchases on Orders:				
Security of Person & Property	2,555	-	-	2,555
General Government - Legislative and Executive	69,054	-	-	69,054
Total Assigned	1,344,150	-	-	1,344,150
Unassigned	1,318,905	-	-	1,318,905
Total Fund Balances	$ 2,698,943	$ 187,990	$ 3,387,958	$ 6,274,891

NOTE 20: INTERFUND TRANSFERS

The following interfund transfers were made during 2018:

	Transfers Out	Transfers In
Major Funds:		
General Fund	$ 966,163	$ -
Total Major Funds	966,163	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Street Fund	-	125,000
Cemetery Fund	-	125,000
Police Pension Fund	-	150,000
Fire Pension Fund	-	50,000
Total Special Revenue Funds	-	450,000
Debt Servcie Funds:		
G.O. Bond Retirement Fund	-	151,163
Total Debt Servcie Funds:	-	151,163
Capital Project Funds:		
Capital Improvement Fund	-	160,000
Paving Project Fund	-	200,000
Street Sweeper Fund	-	5,000
Total Capital Project Funds	-	365,000
Total Nonmajor Governmental Funds	-	966,163
Total Transfers	$ 966,163	$ 966,163

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

NOTE 21: TAX ABATEMENTS

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area in 1978. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. Since that time additional land has been added. In 2016, any remaining land not already included in an area was added so that all land within the City was deemed to be a Community Reinvestment Area. The total CRA real property taxes exempted for the 86 active CRA agreements is approximately $113,000.

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

Traditional Plan	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.020370%	0.020614%	0.020062%	0.019236%	0.019236%
City's Proportionate Share of the Net Pension Liability	$3,195,658	$4,681,089	$3,474,990	$2,320,076	$2,267,674
City's Covered Payroll	$2,686,200	$2,664,350	$2,496,950	$2,366,150	$2,321,977
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.97%	175.69%	139.17%	98.05%	97.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	**2018**	**2017**	**2016**	**2015**	**2014**
City's Proportion of the Net Pension (Asset)	0.013912%	0.015706%	0.015380%	0.015611%	0.015611%
City's Proportionate Share of the Net Pension (Asset)	($18,939)	($8,741)	($7,485)	($6,010)	($1,638)
City's Covered Payroll	$56,977	$61,142	$55,967	$57,492	$56,369
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	33.24%	14.30%	13.37%	10.45%	2.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	137.28%	116.55%	116.90%	114.83%	104.33%

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

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

See accompanying notes to the required supplementary information

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

Police	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0321940%	0.0345660%	0.0361180%	0.0331210%	0.0331210%
City's Proportionate Share of the Net Pension Liability	$1,975,889	$2,189,405	$2,323,519	$1,715,790	$1,613,082
City's Covered Payroll	$781,474	$830,584	$818,342	$729,516	$869,453
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	252.84%	263.60%	283.93%	235.20%	185.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

Fire	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0157143%	0.0149700%	0.0162520%	0.0158640%	0.0158640%
City's Proportionate Share of the Net Pension Liability	$964,458	$948,157	$1,045,523	$821,801	$772,607
City's Covered Payroll	$311,247	$292,787	$297,596	$282,502	$379,679
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	309.87%	323.84%	351.32%	290.90%	203.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013
Contractually Required Contributions						
Traditional Plan	368,327	349,206	319,722	299,634	283,938	301,857
Combined Plan	8,618	7,407	7,337	6,716	6,899	7,328
Total Required Contributions	$376,945	$356,613	$327,059	$306,350	$290,837	$309,185
Contributions in Relation to the Contractually Required Contribution	($376,945)	($356,613)	($327,059)	($306,350)	($290,837)	($309,185)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0
City's Covered Payroll						
Traditional Plan	$2,630,907	$2,686,200	$2,664,350	$2,496,950	$2,366,150	$2,321,977
Combined Plan	$61,557	$56,977	$61,142	$55,967	$57,492	$56,369
Pension Contributions as a Percentage of Covered Payroll						
Traditional Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions										
Police	$141,682	$148,480	$157,811	$155,485	$138,608	$136,765	$129,622	$111,015	$132,106	$131,578
Fire	$72,080	$73,143	$68,805	$69,935	$66,388	$76,809	$68,110	$71,147	$71,147	$93,998
Total Required Contributions	$213,762	$221,623	$226,616	$225,420	$204,996	$213,574	$197,732	$182,162	$203,253	$225,576
Contributions in Relation to the Contractually Required Contribution	($213,762)	($221,623)	($226,616)	($225,420)	($204,996)	($213,574)	($197,732)	($182,162)	($203,253)	($225,576)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
City's Covered Payroll										
Police	$745,695	$781,474	$830,584	$818,342	$729,516	$869,453	$1,016,643	$870,706	$1,036,125	$1,031,984
Fire	$306,723	$311,247	$292,787	$297,596	$282,502	$379,679	$394,841	$412,446	$412,446	$544,916
Pension Contributions as a Percentage of Covered Payroll										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%	17.25%

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

See accompanying notes to the required supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.019470%	0.019770%
City's Proportionate Share of the Net OPEB Liability	$ 2,114,299	$ 1,996,837
City's Covered Payroll	$ 2,757,287	$ 2,732,582
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.68%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.047908%	0.049540%
City's Proportionate Share of the Net OPEB Liability	$ 2,714,415	$ 2,351,552
City's Covered Payroll	$ 1,092,721	$ 1,123,371
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	248.41%	209.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015
Contractually Required Contribution	$ 290	$ 27,877	$ 54,784	$ 51,058
Contributions in Relation to the Contractually Required Contribution	(290)	(27,877)	(54,784)	(51,058)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City Covered Payroll	$ 2,699,721	$ 2,757,287	$ 2,732,582	$ 2,560,113
Contributions as a Percentage of Covered Payroll	0.01%	1.01%	2.00%	1.99%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 5,262	$ 5,464	$ 5,617	$ 5,580	$ 5,069	$ 36,941	$ 95,275	$ 86,613	$ 97,779	$ 106,441
Contributions in Relation to the Contractually Required Contribution	(5,262)	(5,464)	(5,617)	(5,580)	(5,069)	(36,941)	(95,275)	(86,613)	(97,779)	(106,441)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 1,052,418	$ 1,092,721	$ 1,123,371	$ 1,115,938	$ 1,012,018	$ 1,249,132	$ 1,411,484	$ 1,283,152	$ 1,448,571	$ 1,576,900
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	2.96%	6.75%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 4.23 percent to 3.85 percent

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to

3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Bellevue, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellevue, Ohio ("City") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2019, wherein we noted the City implemented GASB Statement No. 75.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City's Response to the Finding

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 28, 2019

City of Bellevue, Ohio
Schedule of Findings and Responses
Year Ended December 31, 2018

2018-001 Audit Adjustment

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

Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted account principles (GAAP). As part of a transaction in which capital assets were contributed to the City, the City assumed the remaining loan obligation on the property. This loan obligation was not originally recorded in the financials and an adjustment was needed to record the loan balance.

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

Management's Response: *City management will enhance its internal control review process by consulting with its auditors prior to booking transactions of an unusual and/or unique nature.*

City of Bellevue, Ohio
Schedule of Prior Audit Findings
Year Ended December 31, 2018

2017-001 Audit Adjustment

An audit adjustment was necessary to record on-behalf capital grants including the capital assets and certain accounts payable associated with the grant.

Status: Audit adjustments were necessary in 2018 and this comment will be repeated.

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CITY OF BELLEVUE

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 15, 2019