

**CITY OF BELLEVUE, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2015**

**CITY OF BELLEVUE, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2015**

**TABLE OF CONTENTS**

	<u>Pages</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-6
<b>Basic Financial Statements</b>	
<b><i>Government - Wide Financial Statements</i></b>	
Statement of Net Position.....	7
Statement of Activities.....	8
<b><i>Fund Financial Statements</i></b>	
Balance Sheet - Governmental Funds.....	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11-12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Statement of Net Position - Proprietary Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	15
Statement of Cash Flows - Proprietary Funds.....	16
<b>Notes to Financial Statements</b> .....	17-33
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	34-35
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure.....	36
<b>Supplementary Information</b>	
Combining Balance Sheet - Special Revenue Funds.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds.....	38
Combining Balance Sheet - Proprietary Funds.....	39
Combining Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds.....	40
Combining Balance Sheet - Nonmajor Governmental Funds.....	41
Combining Statement of Revenues, Expenditures and Changes In Fund Balance - Nonmajor Governmental Funds.....	42-43
<b>Independent Auditor's 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</b> .....	44-45

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Council  
City of Bellevue, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bellevue, Kentucky, as of and for the year ended June 30, 2015, 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.

#### ***-Auditor's Responsibility***

Our responsibility is to express an opinion 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 auditor's 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 opinion.

#### ***-Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Bellevue, Kentucky as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### **-Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3-6 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 to 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The budgetary comparison schedules on pages 34-35 and the pension disclosure on page 36 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedule and the pension disclosure have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

### **-Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining special revenue funds, proprietary funds, and nonmajor governmental funds financial statements are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the City of Bellevue, Kentucky'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 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 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, Kentucky's internal control over financial reporting and compliance.

*Van Gorder, Walker & Co., Inc.*

**Van Gorder, Walker, & Co., Inc.**

Erlanger, Kentucky

December 8, 2015

**City of Bellevue, Kentucky**  
**Fiscal Year 2015**  
**Management's Discussion and Analysis**

Our discussion and analysis of the City of Bellevue's financial performance for the fiscal year ended June 30, 2015, is intended to compliment the formal financial statements that begin on page 7. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The Auditors notes, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

**FINANCIAL HIGHLIGHTS**

- The general fund's beginning cash balance for the City was \$1,701 thousand, and the ending cash balance for the City was \$1,713 thousand.
- The City suspended work on the Streetscape construction Project-Phase II to improve Fairfield Avenue off street parking in the fiscal year 2013. Phase II of the project started in fiscal year 2008 and will be completed in fiscal year 2015. The city has expended \$203 thousand to date. The total project cost for Phase II is estimated at approximately \$250 thousand and is being funded by a Kentucky state grant for \$250 thousand. The City is working to improve parking on Fairfield Avenue with the remaining grant funds.
- During fiscal 2015 the City's governmental funds revenues decreased approximately \$27 thousand over the prior year revenues. The decrease was due primarily to less revenue from local tax (approximately \$107 thousand less from utility and insurance premium tax).
- The City's governmental fund expenditures increased approximately \$60 thousand over the prior year expenses. The increase was due primarily to more departmental expenses of \$30 thousand, more road maintenance debt service expense of \$170 thousand, and less capital outlay expense of \$140 thousand compared to the prior year.
- The City remains committed to increasing salaries above annual inflation rates to provide for merit increases in order to keep qualified employees. During fiscal year 2015, salaries and other benefits increased approximately \$120 thousand compared to fiscal year 2014. The overall effect was that payroll and benefits increased approximately 5% over the prior year.

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 7 and 8) provide information about the activities of the City as a whole and present an overview of the City's finances. Fund financial statements are on pages 9 to 13, for governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail the government-wide statements by providing information about the City's most financially significant funds.

## REPORTING THE CITY AS A WHOLE

The statement of activities presents information showing how much the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government wide financial statements outline functions of the City that are principally supported by property taxes, license fees, user fees and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, parks, public works and special appropriations (including Bellevue/Dayton fire department allotment). Fixed assets are also supported by taxes and intergovernmental revenues.

The government wide financial statements can be found on pages 7 and 8 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City Council establishes funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City has governmental and proprietary funds. The proprietary fund is for rental operations at Port Bellevue Urban Renewal Community Development Agency's activities.

- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. 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 to cash. The modified accrual basis allows certain revenues to be recognized before actually received. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Positions and the Statement of Activities) and governmental funds in a reconciliation of the fund financial statements.

The basic government fund financial statement can be found on pages 9-13 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government- wide and fund financial statements. The notes to the financial statements can be found on page 17 through 33 of this report.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$4,685,732 as of June 30, 2015. In accordance with GASB Statement No. 68, in FY 2015 the City recognized \$2,404,278 in unfunded net pension liability on its statement of net position. To account for the beginning balance at July 1, 2014, the City has recognized a prior period adjustment of \$2,404,278, which is an estimate of the unfunded pension liability balance at July 1, 2014.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, building, office equipment, machinery and equipment, vehicles, and infrastructure). These capital assets are used to provide services to citizens, and consequently, are not available for future spending.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Position for the period ending June 30, 2015 and 2014.

An overview of the current and prior years financial statements are as follows:

	<b>2015</b>	<b>(Restated) 2014</b>
Current assets	\$ 3,525,701	\$ 3,533,779
Noncurrent assets, net of accumulated depreciation	9,816,639	9,989,854
Total assets	<u>13,342,340</u>	<u>13,523,633</u>
Deferred outflow of resources	731,178	744,730
Total assets and deferred outflow of resources	<u>14,073,518</u>	<u>14,268,363</u>
Current liabilities	482,090	445,768
Noncurrent liabilities	8,652,516	9,145,878
Total liabilities	<u>9,134,606</u>	<u>9,591,646</u>
Deferred inflow of resources	253,180	-
Total assets and deferred outflow of resources	<u>9,387,786</u>	<u>9,591,646</u>
Net position:		
Net investment in capital assets	3,673,419	3,689,847
Assigned	1,330,583	1,345,989
Unassigned	(318,270)	(359,119)
Total net position	<u>\$ 4,685,732</u>	<u>\$ 4,676,717</u>

**Governmental Funds**

The following represents a summary of the City’s revenue and expense for the fiscal years ending June 30, 2014 and 2015.

	<u>2015</u>	<u>2014</u>
Revenues:		
Property taxes	\$ 1,310,788	\$ 1,289,959
Other taxes (Utility & Insurance premium-taxes)	1,052,616	1,161,026
License and permits	1,366,603	1,295,175
Intergovernmental grants	266,565	267,741
Charges for services	470,977	455,304
Investment income/finances and penalties	28,265	32,021
Other	<u>37,698</u>	<u>58,808</u>
 Total Revenue	 <u>4,533,512</u>	 <u>4,560,034</u>
 Expenses:		
Administration	842,402	871,882
Police department	1,422,820	1,352,467
Public works	757,123	728,429
Road/infrastructure & maintenance	236,304	95,461
Fire department-allotment	850,230	878,977
Parks and recreation/ community development	51,416	53,862
Capital outlay	43,070	185,445
Special projects & appropriations	223,526	233,152
Debt service and bond cost	<u>146,916</u>	<u>114,004</u>
 Total Expense	 <u>4,573,807</u>	 <u>4,513,679</u>
 Excess (deficit) of revenues over (under) expenditures	 <u>\$ (40,295)</u>	 <u>\$ 46,355</u>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The City is experiencing growth in revenues. The General Fund budget has anticipated growth in most revenue sources and the expenditures for the General Fund includes increases in operating and administrative expenses. In addition the budget for infrastructure projects includes the Fairfield Avenue Streetscape Project as the City continues to annually invest in its infrastructure. The City does have adequate contingency funds to address any non-catastrophic unforeseen conditions and events. The fiscal year 2015 budget provides adequate resources for the continuation of services and programs at the present levels.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers 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 any questions about this report or need additional information, contact the City Clerk’s Office at Poplar & Van Voast, Bellevue, Kentucky, 41073.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>Statement of Net Position</b> <b>June 30, 2015</b>
---

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current Assets			
Cash and cash equivalents	\$ 2,604,973	\$ 226,639	\$ 2,831,612
Accounts receivable			
Taxes - current	311,803	-	311,803
Taxes - delinquent	92,969	-	92,969
Other	212,133	-	212,133
Intergovernmental - state	27,917	-	27,917
Note Receivable - Current	-	12,667	12,667
Prepaid Expenses	36,600	-	36,600
<b>Total Current Assets</b>	<b>3,286,395</b>	<b>239,306</b>	<b>3,525,701</b>
Noncurrent Assets			
Capital assets	6,745,171	5,465,050	12,210,221
Less: accumulated depreciation	(2,147,758)	(532,657)	(2,680,415)
Net Capital Assets	4,597,413	4,932,393	9,529,806
Note receivable due after one year	-	286,833	286,833
<b>Total Noncurrent Assets</b>	<b>4,597,413</b>	<b>5,219,226</b>	<b>9,816,639</b>
<b>TOTAL ASSETS</b>	<b>7,883,808</b>	<b>5,458,532</b>	<b>13,342,340</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension contribution for fiscal year 2015	362,696	-	362,696
Deferred loss on defeasance of bonds	189,024	179,458	368,482
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>551,720</b>	<b>179,458</b>	<b>731,178</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>8,435,528</b>	<b>5,637,990</b>	<b>14,073,518</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	90,996	21,448	112,444
Accrued payroll and related expenses	105,931	-	105,931
Current portion of bond obligations	74,133	119,313	193,446
Current portion of capital lease obligations	32,598	-	32,598
Interest payable	29,735	7,936	37,671
<b>Total Current Liabilities</b>	<b>333,393</b>	<b>148,697</b>	<b>482,090</b>
Noncurrent Liabilities			
Noncurrent portion of bond obligations, net of costs	3,083,960	2,899,703	5,983,663
Noncurrent portion of capital lease obligations	15,162	-	15,162
Compensated absences	193,150	-	193,150
Net pension liability	2,460,541	-	2,460,541
<b>Total Noncurrent Liabilities</b>	<b>5,752,813</b>	<b>2,899,703</b>	<b>8,652,516</b>
<b>TOTAL LIABILITIES</b>	<b>6,086,206</b>	<b>3,048,400</b>	<b>9,134,606</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension contribution for fiscal year 2015	253,180	-	253,180
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>6,339,386</b>	<b>3,048,400</b>	<b>9,387,786</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,580,584	2,092,835	3,673,419
Assigned for:			
Debt service	69,284	-	69,284
Capital projects	577,931	-	577,931
Special revenue projects	186,613	-	186,613
Community development	-	496,755	496,755
Unassigned	(318,270)	-	(318,270)
<b>TOTAL NET POSITION</b>	<b>\$ 2,096,142</b>	<b>\$ 2,589,590</b>	<b>\$ 4,685,732</b>

The accompanying notes are an integral part of the financial statements.



<b>CITY OF BELLEVUE, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2015</b>
--

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS &amp; RESOURCES</b>				
Cash and cash equivalents	\$ 1,700,870	\$ 180,072	\$ 724,031	\$ 2,604,973
Receivables				
Taxes - current	311,803	-	-	311,803
Taxes - delinquent	8,698	-	-	8,698
Other licenses and fees	212,133	-	-	212,133
Intergovernmental - state	12,753	11,135	4,029	27,917
Due from other funds	51,860	-	750	52,610
Prepaid Expenses	36,600	-	-	36,600
<b>TOTAL ASSETS &amp; RESOURCES</b>	<b><u>\$ 2,334,717</u></b>	<b><u>\$ 191,207</u></b>	<b><u>\$ 728,810</u></b>	<b><u>\$ 3,254,734</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 87,152	\$ 3,844	\$ -	\$ 90,996
Accrued payroll and related expenses	105,931	-	-	105,931
Interest payable	-	-	29,735	29,735
Due to other funds	-	750	51,860	52,610
<b>TOTAL LIABILITIES</b>	<b><u>193,083</u></b>	<b><u>4,594</u></b>	<b><u>81,595</u></b>	<b><u>279,272</u></b>
<b>FUND BALANCES</b>				
Assigned for:				
Capital projects funds	-	-	577,931	577,931
Special revenue funds	-	186,613	-	186,613
Debt service funds	-	-	69,284	69,284
Unassigned:	2,141,634	-	-	2,141,634
<b>TOTAL FUND BALANCES</b>	<b><u>2,141,634</u></b>	<b><u>186,613</u></b>	<b><u>647,215</u></b>	<b><u>2,975,462</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,334,717</u></b>	<b><u>\$ 191,207</u></b>	<b><u>\$ 728,810</u></b>	<b><u>\$ 3,254,734</u></b>

The accompanying notes are an integral part of these financial statements.

<p><b>CITY OF BELLEVUE, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2015</b></p>
--

Total fund balance per fund financial statements	\$ 2,975,462
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>Capital assets are not reported in this fund's financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>	4,597,413
Property tax to collect	84,271
<p>Deferred losses on the defeasance of bonds are not included in the funds, but are recorded in the statement of net position.</p>	189,024
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds</p>	
Deferred outflow of resources	362,696
Deferred inflow of resources	(253,180)
<p>Certain liabilities are not reported in the fund's financial statement because they are not due and payable, but they are presented in the statement of net position.</p>	
Bond obligations, net of costs	(3,158,093)
Capital lease obligations	(47,760)
Compensated absences	(193,150)
Net pension liability	<u>(2,460,541)</u>
Net position for governmental activities	<u><u>\$ 2,096,142</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BELLEVUE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

<b>REVENUES</b>	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
From local sources				
Taxes:				
Property	\$ 1,197,660	\$ -	\$ -	\$ 1,197,660
Motor vehicle	113,128	-	-	113,128
Utilities	220,928	-	-	220,928
Insurance premium tax	831,688	-	-	831,688
License, permits and fees:				
Payroll	1,145,110	-	-	1,145,110
Other	221,493	-	-	221,493
Fines and penalties	23,943	-	-	23,943
Earnings on investments	3,829	149	344	4,322
Charges for services	470,977	-	-	470,977
Other local revenues	26,871	7,752	3,075	37,698
Intergovernmental - intermediate	57,307	720	-	58,027
Intergovernmental - state	60,904	140,937	-	201,841
Intergovernmental - federal indirect	6,697	-	-	6,697
<b>TOTAL REVENUES</b>	<b>4,380,535</b>	<b>149,558</b>	<b>3,419</b>	<b>4,533,512</b>
<b>EXPENDITURES</b>				
Administrative/legislature	826,154	1,785	14,463	842,402
Police department	1,415,026	4,173	3,621	1,422,820
Public works	752,031	-	5,092	757,123
Fire department	850,230	-	-	850,230
Community service/parks and recreation	-	51,416	-	51,416
Special appropriations	223,526	-	-	223,526
Capital outlay:	-			
Police department	-	-	36,595	36,595
Public works	-	-	6,475	6,475
Road maintenance	-	236,304	-	236,304
Debt service and capital lease	-	-	146,916	146,916
<b>TOTAL EXPENDITURES</b>	<b>4,066,967</b>	<b>293,678</b>	<b>213,162</b>	<b>4,573,807</b>
<b>EXCESS (DEFICIT) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<b>313,568</b>	<b>(144,120)</b>	<b>(209,743)</b>	<b>(40,295)</b>

The accompanying notes are an integral part of these financial statements.

(Continued on next page)

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENDITURES AND</b> <b>CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)</b> <b>For the Year Ended June 30, 2015</b>
--

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
(From previous page)				
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 313,568	\$ (144,120)	\$ (209,743)	\$ (40,295)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bank borrowings	-	-	27,365	27,365
Proceeds from sale of fixed assets	-	-	5,635	5,635
Operating transfers in	-	52,248	446,063	498,311
Operating transfers (out)	(348,108)	(100,000)	(50,203)	(498,311)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(348,108)	(47,752)	428,860	33,000
<b>EXCESS (DEFICIT) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	(34,540)	(191,872)	219,117	(7,295)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	2,176,174	378,485	428,098	2,982,757
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,141,634</u>	<u>\$ 186,613</u>	<u>\$ 647,215</u>	<u>\$ 2,975,462</u>

The accompanying notes are an integral part of these financial statements.

<p><b>CITY OF BELLEVUE, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND</b>  <b>CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE</b>  <b>STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2015</b></p>
---

Net change in fund balances-total governmental funds \$ (7,295)

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 costs of those assets are allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	43,070
Depreciation expense	(163,487)

Amount of deferred loss on defeasance of bonds	(9,953)
--	---------

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which new borrowings of (\$27,365) were more than repayments of \$72,449.

45,084

Liability increase for compensated absences payable	(10,838)
---	----------

Governmental funds report City pension contributions as expenditures, however, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension expense

City pension contributions	362,696
Cost of benefits earned	(309,444)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This year's amount is \$84,287 and last year's amount was (\$51,312).

32,975

Change in net position of governmental activities	<u>\$ (17,192)</u>
---	--------------------

The accompanying notes are an integral part of these financial statements.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>Statement of Net Position - Proprietary Funds</b> <b>June 30, 2015</b>
---

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 226,639
Notes receivable - lease contract	12,667
Total Current Assets	<u>239,306</u>
Noncurrent Assets	
Lease contract receivable due after one year	286,833
Capital assets	5,465,050
Less: accumulated depreciation	<u>(532,657)</u>
Total Noncurrent Assets	<u>5,219,226</u>

**TOTAL ASSETS** 5,458,532

**DEFERRED OUTFLOW OF RESOURCES**

Deferred loss on defeasance of bonds	<u>179,458</u>
--------------------------------------	----------------

**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** 5,637,990

**LIABILITIES**

Current Liabilities	
Accounts payable	21,448
Current portion of long term obligation	119,313
Accrued interest payable	<u>7,936</u>
Total Current Liabilities	148,697
Noncurrent Liabilities	
Noncurrent portion of bond obligations	<u>2,899,703</u>

**TOTAL LIABILITIES** 3,048,400

**NET POSITION**

Net investment in capital assets	2,092,835
Unrestricted	<u>496,755</u>

**TOTAL NET POSITION** \$ 2,589,590

The accompanying notes are an integral part of the financial statements.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>Statement of Revenues, Expenses, and Changes in Net Position -</b> <b>Proprietary Funds</b> <b>For the Year Ended June 30, 2015</b>
---

<b>OPERATING REVENUE</b>	
Rental income	\$ 227,981
<b>TOTAL OPERATING REVENUE</b>	<u>227,981</u>
<b>OPERATING EXPENSES</b>	
Utilities	5,589
Repairs and maintenance	847
Depreciation	40,131
Economic development cost	37,547
<b>TOTAL OPERATING EXPENSES</b>	<u>104,114</u>
Operating Income	<u>123,867</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	9,459
Interest expense	(107,119)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(97,660)</u>
Net Income	26,207
<b>NET POSITION, JULY 1, 2014</b>	<u>2,563,383</u>
<b>NET POSITION, JUNE 30, 2015</b>	<u>\$ 2,589,590</u>

The accompanying notes are an integral part of the financial statements.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>Statement of Cash Flows - Proprietary Funds</b> <b>For the Year Ended June 30, 2015</b>
--

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from	
Revenue from rent	\$ 227,981
Cash paid to/for	
Utilities	(6,384)
Repair and maintenance	(847)
Other fees	(36,230)

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>184,520</u>
--	----------------

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Transfers In	-
--------------	---

<b>NET CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>
--	----------

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Interest paid	(98,510)
Principle received on lease obligation	12,293
Principle paid on bonds	(120,000)

<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(206,217)</u>
---	------------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	9,459
-----------------	-------

<b>NET CASH FLOWS PROVIDED USED BY INVESTING ACTIVITIES</b>	<u>9,459</u>
---	--------------

Net decrease in cash and cash equivalents	(12,238)
---	----------

<b>BALANCES, BEGINNING OF YEAR</b>	<u>238,877</u>
------------------------------------	----------------

<b>BALANCES, END OF YEAR</b>	<u>\$ 226,639</u>
------------------------------	-------------------

**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ 123,867
------------------	------------

*Adjustments to reconcile operating income to net cash provided by operating activities*

Depreciation & Amortization	40,131
Change in assets and liabilities	
Account payable	20,522

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 184,520</u>
--	-------------------

**SCHEDULE OF NON-CASH TRANSACTIONS**

Depreciation	\$ 40,131
Amortization	10,325
	<u>\$ 50,456</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BELLEVUE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Bellevue, Kentucky, have been prepared in conformity with generally accepted principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Reporting Financial Entity

The financial statements of the City of Bellevue, Kentucky include the funds, account groups and agencies over which the Mayor and Council, a seven member group, exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, was determined on the basis of the Government's ability to significantly influence operations, select the governing authority, and participates in fiscal management and the scope of public services. Based upon this criterion the Government's reporting entity includes those agencies and departments over which the Mayor and Council have specific statutory authority. The entities which have been included in the financial statements of the Governments are as follows:

- (a) The Bellevue Urban Renewal and Community Development Agency was instrumentality created primarily to provide for the financing and acquisition of land related to the City's riverfront development projects.
- (b) The City of Bellevue, Urban Renewal and Community Development Agency Public Properties Corporation was created to provide financing for the Bellevue Urban Renewal and Community Development Agency.

Certain entities which have been excluded from the Government's financial statements in accordance with "Codification" criteria are as follows:

- (a) The Bellevue (Board of Education) School District is a separate and distinct organization operating under State legislation, whose Board members are elected by the public. The District's Board and management are totally independent of the City. The City has no financial involvement with the District.
- (b) The financial statements presented herein, do not include funds of groups or organizations, which although associated with the City, have not originated within the Council itself such as the Bellevue-Dayton Fire Department, Bellevue Civic Association, the Bellevue-Dayton Volunteer Firemen's Association, etc.

Basis of Accounting

The City's financial statements are presented on the modified accrual basis in accordance with accounting principles generally accepted in the United States of America. The City has adopted GASB Statements 67 through 71, and related interpretations issued through June 30, 2015.

**Statement No. 67 – Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25** – This statement is not currently applicable to the City of Bellevue.

**CITY OF BELLEVUE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Statement No. 68 – Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27** – Requires the City to report their representative share of the unfunded pension liability of the Kentucky County Employee Retirement System (CERS) on the City's Statement of Net Position. This statement is in effect for fiscal periods beginning after June 15, 2014. This statement added \$2,404,278 in net pension liability as the City's share of CERS unfunded liability to the City's June 30, 2014 Statement of Net Position.

**Statement No. 69 – Government Combinations and Disposals of Government Operations** – This statement is not currently applicable to the City of Bellevue.

**Statement No. 70 – Accounting and Financial Reporting for Non-exchange Financial Guarantees** – This statement is not currently applicable to the City of Bellevue.  
Bellevue

**Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date** – This statement amended GASB 68 and requires contributions made subsequent to the measurement date be considered as deferred outflows of resources.

Basis of Presentation

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 for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide 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 function or program of the City's governmental activities. Direct expenses are those clearly identifiable to a particular function or segment. 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 that 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 – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The City has no fiduciary type funds.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total assets. Proprietary funds are reported using the

**CITY OF BELLEVUE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

economic resources measurement focus. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The City has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to disbursements for specified purposes. This is a major fund of the City.
- (C) Capital Project Funds are used to account for financial resources to be used primarily for the acquisition for construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  - 1. The Capital Improvements Fund receives certain funds designated by the city and is restricted for use primarily in financing specific expenditures and in purchasing equipment for the City.
  - 2. The Federal Grant Capital Project Fund account for federal grant construction funding and local matching funds to construct and completed infrastructure projects. This is a non-major fund of the City.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payments of, general long-term debt principle and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a non-major fund of the City.

II. Proprietary Fund Type (Enterprise Fund)

The Proprietary Fund is used to account for Port Bellevue rental properties and Bellevue URCD Agencies activities. The Proprietary fund is a major fund.

The City applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund type (Agency and Private Purpose Trust Funds)

- A. The City has no fiduciary fund types.

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 funds use the accrual basis of accounting.

**CITY OF BELLEVUE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal 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, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met and recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

#### Property Tax Revenues

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the City. The billings are considered due upon receipt by the taxpayer and become delinquent on December 1. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are deposited into the General Fund. The 2014 property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were .306 per \$100 valuation for real property, and .340 per \$100 valuation for business personal property and \$.385 per \$100 valuation for motor vehicles. Vehicle tax is collected by the County Clerk of Campbell County and are due and collected in the birth month of the vehicles' licensee.

#### Other Taxes

The City levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within City's boundaries, of electric power and natural gas. Also, the City levies an insurance premium license tax of 10% on insurance premiums. The tax is collected by the insurance companies doing business within the City.

<p><b>CITY OF BELLEVUE, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2015</b></p>
--

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars with the exception of real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Prior to July 1, 2003, governmental fund infrastructure assets were not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Vehicles	5 years
General Equipment	5-15 years

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payable”. These amounts are eliminated in the governmental and business-type activities column of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the City, an eligible employee with over 27 years service for non-hazardous or 20 years for hazardous employment will receive retirement credit for the amount of work hours equal to accumulated sick leave hours up to 960 hours. The Kentucky County Employee Retirement System will calculate the credit at the time of an employee’s retirement. At June 30, 2015, the total sick leave payable is \$193,150 and is accounted for as long-term debt.

Budgetary Process

Budgetary Basis of Accounting: The City’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP are:

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

**CITY OF BELLEVUE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Council at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the City, and are not made after fiscal year-end dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Classification

The Government fund financial statements present fund balances based on classification that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any Nonspendable resources at June 30, 2015.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislature. The City has classified sick leave, KSFCC escrow, capital projects and debt service resources as being restricted.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the board. These amounts cannot be used for any other purpose unless the board removes or changes the specified use by taking the same type

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for the use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2015.

Assigned: This classification includes the amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City had assigned resources as of June 30, 2015.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts  
The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

#### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net 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.

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily from rental leases at the Port Bellevue Project.

#### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from contributions of fixed assets, or from grants or contributions of resources restricted to capital acquisition and construction.

#### Inter-fund Activity

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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses 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.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

**NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end the carrying amount of the City's total cash and cash equivalents was \$2,831,462 of the total cash balance; all of which was covered by Federal Depository insurance and/or covered by collateral agreements and collateral held by the pledging banks' trust departments in the City's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking Accounts	<u>\$ 2,925,990</u>	<u>\$ 2,831,462</u>
Breakdown per financial statements:		
Governmental funds		\$ 2,604,823
Proprietary funds		226,639
Total		<u>\$ 2,831,462</u>

**NOTE D – INVESTMENTS**

The City has no investments at June 30, 2015

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

**NOTE E – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>Governmental Activities</u>				
Land	\$ 616,425	\$ -	\$ -	\$ 616,425
Land improvements - parks	396,090	-	-	396,090
Building and improvements	1,128,044	-	-	1,128,044
Playground equipment	115,891	-	-	115,891
Furniture and equipment	347,925	9,511	-	357,436
Vehicles and machinery	667,381	33,559	(26,733)	674,207
Harbor Green/Infrastructure	2,555,750	-	-	2,555,750
Streetscape/Infrastructure	697,540	-	-	697,540
Pedestrian bridge/Infrastructure	203,788	-	-	203,788
Work In Progress	-	-	-	-
Totals at historical cost	<u>6,728,834</u>	<u>43,070</u>	<u>(26,733)</u>	<u>6,745,171</u>
Less accumulated depreciation				
Land improvements - parks	(136,545)	(9,960)	-	(146,505)
Building and improvements	(408,201)	(22,299)	-	(430,500)
Playground equipment	(115,891)	-	-	(115,891)
Furniture and equipment	(264,906)	(15,309)	-	(280,215)
Vehicles and machinery	(543,351)	(46,777)	26,733	(563,395)
Infrastructure	(542,110)	(69,142)	-	(611,252)
Total accumulated depreciation	<u>(2,011,004)</u>	<u>(163,487)</u>	<u>26,733</u>	<u>(2,147,758)</u>
Governmental Activities Capital Assets - Net	<u>\$ 4,717,830</u>	<u>\$ (120,417)</u>	<u>\$ -</u>	<u>\$ 4,597,413</u>
<u>Business Type Activities</u>				
Land and land improvements				
Total at historical cost	\$ 5,465,050	\$ -	\$ -	\$ 5,465,050
Less accumulated depreciation	<u>(492,526)</u>	<u>(40,131)</u>	<u>-</u>	<u>(532,657)</u>
Business Type Activities Capital Assets - Net	<u>\$ 4,972,524</u>	<u>\$ (40,131)</u>	<u>\$ -</u>	<u>\$ 4,932,393</u>

The City adopted GASB 34 during the fiscal year 2004. The only infrastructure presented at June 30, 2015 is related to capital outlay acquisitions since July 1, 2003.

Depreciation was charged to functions as follows:

<u>Governmental Activities</u>	
Administration	\$ 16,768
Police Department	45,834
Public Works & Infrastructure	90,925
Parks & Recreation	9,960
Total governmental activities depreciation expense	<u>\$ 163,487</u>

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

**NOTE F – CAPITAL LEASE PAYABLE**

The following is an analysis of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book value as of June 30, 2015</u>
Vehicles and equipment	<u>\$ 95,353</u>

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2016	\$ 33,426
2017	12,658
2018	<u>3,225</u>
Total minimum lease payments	49,309
Less: Amount representing interest	<u>1,549</u>
Present Value of Net Minimum Lease Payments	<u>\$ 47,760</u>

**NOTE G – LONG TERM DEBT**

The City has three general obligation public project bond issues outstanding at June 30, 2015, the Series 2012 for the Harbor Greene Project and the Refunding Series 2014 and 2011A for the Port Bellevue Project. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the City.

The original 2004 Harbor Greene Project bonds were issued to provide infrastructure improvements at the development and are to be repaid by future additional property tax revenue that will be generated from the project. Payments are guaranteed by the developer. The bonds are carried as general long-term debt used in governmental fund operations. The bonds were refunded and defeased by the Series 2012 Refunding Bonds, as detailed below.

Series 2011 and 2014 Refunding Bonds

The original 2002 A/B Port Bellevue Project bonds were for the purchase of land and improvements at the project. The land and land improvements are leased to two restaurant tenants of the project and are used to be repaid primarily from rent revenue generated from the leases. The bonds are carried as long-term debt used in proprietary fund operations/business type activities. The Series 2002B bonds were refunded and defeased by the Series 2011 Refunding Bonds issued in December 2011. The Series 2002A bonds were refunded and defeased by the Series 2014 Refunding Bonds issued in May 2014.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

Series 2012 Refunding Bonds

On September 20, 2012, the City issued \$3,220,000 in Series 2012 General Obligation Refunding Bonds and defeased, in-substance, the remaining portion of the Series 2004 general obligation bonds. Proceeds of the 2012 Refunding Bonds were placed in an irrevocable trust to provide for all future debt service payments on the 2004 bonds. Accordingly, the trust's assets and the liability for the defeased bonds are not included on the City's financial statements. At June 30, 2013, the 2004 bonds had a principal balance of \$2,920,000 and are considered defeased. The 2012 Refunding Bonds have a maturity of 20 years and a net interest cost of 2.5%. As part of the refunding, the City incurred costs for bond issuance (\$42,271) which was expensed in fiscal year 2013 per GASB 65. The City also incurred costs related to the issuance of the bond for bond discount (\$37,196) and a loss on defeasement (\$220,533). These costs will be amortized over the 20-year life of the bond, which is the same as the remaining life of the defeased bond. The total net savings to the City due to this refunding will be approximately \$321,100.

The following summarizes the original amount of each issue, the issue date and interest rates:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Rates</u>
Refunding Series 2011	\$ 2,435,000	1.00 to 3.625%
Refunding Series 2012	3,220,000	1.4% to 2.800 %
Refundind Series 2014	835,000	4.00%

The City is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds. The bonds may be called prior to maturity and redemption premiums are specified in the issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the City, at June 30, 2015 for debt services (principle and interest) are as follows:

Fiscal Year	Harbor Green Governmental Activities Public Project Bonds		Port Bellewe Business Type Activities Public Project Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2015	\$ 75,000	\$ 71,365	\$ 120,000
2016	85,000	70,315	125,000	91,309
2017	90,000	69,125	130,000	88,355
2018	100,000	67,865	130,000	85,197
2019	110,000	66,465	135,000	81,794
2020-2024	660,000	305,465	770,000	346,782
2025-2029	990,000	223,384	950,000	208,706
2030-2034	1,085,000	77,851	670,000	37,878
Totals	<u>\$ 3,195,000</u>	<u>\$ 951,835</u>	<u>\$ 3,030,000</u>	<u>\$ 1,033,980</u>

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

A summary of the City's long term debt at June 30, 2015 is as follows:

Description	Balance June 30, 2014	Issued	Paid/ Refunded	Balance June 30, 2015	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
Series 2012 REF	\$ 3,220,000	\$ -	\$ (25,000)	\$ 3,195,000	\$ 75,000
2012 Bond Discount	(37,196)	-	289	(36,907)	(867)
<b>Total Governmental</b>					
Activities	<u>\$ 3,182,804</u>	<u>\$ -</u>	<u>\$ (24,711)</u>	<u>\$ 3,158,093</u>	<u>\$ 74,133</u>
<b>Business Type Activities</b>					
Bonds Payable:					
Series 2002 A	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2011 REF	2,315,000	-	(90,000)	2,225,000	90,000
Series 2014 REF	835,000	-	(30,000)	805,000	30,000
2002 A/B Discount	-	-	-	-	-
2014 REF Premium	13,144	-	(692)	12,452	692
2011 REF Discount	(24,814)	-	1,379	(23,435)	(1,379)
<b>Total Business</b>					
Activities	<u>\$ 3,138,330</u>	<u>\$ -</u>	<u>\$ (119,313)</u>	<u>\$ 3,019,017</u>	<u>\$ 119,313</u>

**NOTE H – COMMITMENTS UNDER NONCAPITALIZED LEASES**

The City had no commitments under operating lease agreements as of June 30, 2015.

**NOTE I – COUNTY EMPLOYEE RETIREMENT SYSTEM**

The City participates in the County Employees' Retirement System of Kentucky ("Plan"). The Plan is a cost-sharing, multi-employer public retirement plan created by and operating under Kentucky law. It is a defined benefit plan that covers substantially all regular employees of the City.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The Plan provides for retirement, disability and death benefits.

Participating non-hazardous employees contribute 5% (8% for hazardous duty employees) of their creditable compensation. All employees who entered the plan after August 31, 2008 must also contribute an additional 1% of their annual creditable compensation for health insurance. Employer contribution rates are intended to fund the normal cost on a current basis plus 1% of un-funded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium.

**Contributions**

The City contributed 17.67% (34.31% for hazardous duty employees) of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2015. The City of Bellevue made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2015 in the amount of \$362,696.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

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

At June 30, 2015, the City reported a liability of \$2,460,541 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's employer allocation proportion was 0.025981% of the total CERS non-hazardous duty employees and 0.134597% of the total CERS hazardous duty employees. For the year ended June 30, 2015, the City recognized pension expense of \$362,696. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on plan investments	-	253,180
Changes of assumptions	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	362,696	-
Total	<u>\$ 362,696</u>	<u>\$ 253,180</u>

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2015, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

The \$362,696 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

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

<b>Fiscal Year Ending</b>	<b>Net</b>
<b>June 30,</b>	<b>Deferral</b>
2016	\$ 50,636
2017	50,636
2018	50,636
2019	50,636
2020	50,636
	<u>\$ 253,180</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>CERS Hazardous &amp; Non-Hazardous Target Allocation</b>	<b>Long Term Expected Nominal Return</b>
Domestic equity	30%	8.5%
International equity	22%	8.9%
Emerging market equity	5%	10.5%
Private equity	7%	11.3%
Real estate	5%	7.0%
Core US fixed income	10%	5.3%
HY US fixed income	5%	7.3%
Non US fixed income	5%	5.5%
Commodities	5%	7.8%
TIPS	5%	5.0%
Cash	1%	3.3%
Total	100%	

### Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of 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 presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$ 3,225,332
Current discount rate	7.75%	2,460,541
1% increase	8.75%	1,801,999

### Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

The City also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and certain part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The City does not contribute to these plans.

**NOTE J – CONTINGENCIES**

The City receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and grantors' intent to continue their programs.

**NOTE K – LITIGATION**

The City is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the City and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**NOTE L – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated which included Workers' Compensation Insurance.

**NOTE M – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has obtained insurance coverage through the Kentucky League of Cities Municipal Risk Management Association. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2015, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE N – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a substantial loss (contingency).

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2015</b>
---

**NOTE O – DEFICIT FUND BALANCES**

There are no funds in the City that currently have a deficit fund balance. However, the following funds have net losses that resulted in a corresponding reduction of fund balance:

Funds	Deficit
General	\$ (34,540)
Municipal Aid	(195,049)
Public Safety	(1,248)
Parks	(6,039)
URCD Agency	(48,341)
Capital Improvements	(302,226)

**NOTE P – TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Funding	\$ 40,000
Operating	General	Capital Improvement	Funding	45,000
Operating	General	Rental Inspection	Funding	12,248
Operating	Special Revenue	Capital Project	Funding	100,000
Operating	General	Debt Service	Debt Service	100,860
Operating	General	Capital Project	Funding	150,000
Operating	Special Revenue	Debt Service	Debt Service	50,203
				<u>\$ 498,311</u>

**NOTE Q – PRIOR PERIOD ADJUSTMENTS**

The City has recorded an adjustment to the Beginning Net Position of (\$2,404,278) at June 30, 2014. This adjustment accounts for the estimated net pension liability at June 30, 2014, and is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

**NOTE R – SUBSEQUENT EVENTS**

Management has evaluated events through December 8, 2015, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2015 through December 8, 2015 to disclose.

<p><b>CITY OF BELLEVUE, KENTUCKY</b>  <b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -</b>  <b>BUDGET TO ACTUAL - GENERAL FUND</b>  <b>For the Year Ended June 30, 2015</b></p>
--

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 1,149,370	\$ 1,149,370	\$ 1,197,660	\$ 48,290
Motor vehicle	90,000	90,000	113,128	23,128
Utilities	225,000	225,000	220,928	(4,072)
Insurance premium license	725,000	725,000	831,688	106,688
Payroll tax	1,120,000	1,120,000	1,145,110	25,110
Other license, permits, and fees	192,200	192,200	221,493	29,293
Earnings on investments	2,000	2,000	3,829	1,829
Fines and penalties	21,500	21,500	23,943	2,443
Charges for services	465,000	465,000	470,977	5,977
Other local revenue	31,000	31,000	26,871	(4,129)
Intergovernmental - intermediate	63,000	63,000	57,307	(5,693)
Intergovernmental - state	55,500	55,500	60,904	5,404
Intergovernmental - federal	9,000	9,000	6,697	(2,303)
<b>TOTAL REVENUES</b>	<u>4,148,570</u>	<u>4,148,570</u>	<u>4,380,535</u>	<u>231,965</u>
<b>EXPENDITURES</b>				
Administrative and legislative				
Salaries and benefits	558,450	580,852	575,839	5,013
Other	258,730	264,850	250,315	14,535
Police department				
Salaries and benefits	1,303,060	1,357,659	1,306,496	51,163
Other	126,450	112,220	108,530	3,690
Public works department				
Salaries and benefits	284,670	295,479	289,976	5,503
Other	475,400	474,463	462,055	12,408
Special appropriations				
Bellevue/Dayton fire dept. allotment	820,230	851,030	850,230	800
Other	225,400	244,652	223,526	21,126
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>4,052,390</u>	<u>4,181,205</u>	<u>4,066,967</u>	<u>114,238</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>96,180</u>	<u>(32,635)</u>	<u>313,568</u>	<u>346,203</u>

The accompanying notes are an integral part of these financial statements.

(Continued on next page)

<p><b>CITY OF BELLEVUE, KENTUCKY</b>  <b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -</b>  <b>BUDGET TO ACTUAL - GENERAL FUND (CONTINUED)</b>  <b>For the Year Ended June 30, 2015</b></p>
--

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
(From previous page)				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 96,180</u>	<u>\$ (32,635)</u>	<u>\$ 313,568</u>	<u>\$ 346,203</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	25,000	25,000	-	(25,000)
Operating transfers (out)	<u>(120,860)</u>	<u>(348,108)</u>	<u>(348,108)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(95,860)</u>	<u>(323,108)</u>	<u>(348,108)</u>	<u>(25,000)</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	320	(355,743)	(34,540)	321,203
<b>FUND BALANCE, JULY 1, 2014</b>	<u>2,176,174</u>	<u>2,176,174</u>	<u>2,176,174</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 2015</b>	<u>\$ 2,176,494</u>	<u>\$ 1,820,431</u>	<u>\$ 2,141,634</u>	<u>\$ 321,203</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BELLEVUE, KENTUCKY****Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure  
For the Year Ended June 30, 2015****Schedule of the City's Proportionate Share of the Net Pension Liability  
County Employees' Retirement Plan (CERS)**

(New disclosure in 2015, will display additional years as time progresses)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Proportion of net pension liability	0.055340%									
Proportionate share of the net pension liability (asset)	\$ 2,460,541									
Covered employee payroll in year of measurement	1,245,051									
Share of the net pension liability (asset) as a percentage of its covered employee payroll	197.63%									
Plan fiduciary net position as a percentage of total pension liability	65.96%									

**Schedule of the City's Contributions  
County Employees' Retirement Plan (CERS)**

(New disclosure in 2015, will display additional years as time progresses)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 362,696	\$ 355,970								
Actual contribution	362,696	355,970								
Contribution deficiency (excess)	-	-								
Covered employee payroll	1,337,371	1,245,051								
Contributions as a percentage of covered employee payroll	27.12%	28.59%								

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2015  
Changes of Assumptions**

The net pension liability as of June 30, 2015, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS</b> <b>June 30, 2015</b>
---

	<b>Municipal Aid Fund</b>	<b>Public Safety Fund</b>	<b>Rental Inspection Fund</b>	<b>Parks Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Cash in bank	\$ 110,949	\$ 2,386	\$ 10,544	\$ 56,193	\$ 180,072
Accounts Receivable	11,135	-	-	-	11,135
<b>TOTAL ASSETS</b>	<b><u>\$ 122,084</u></b>	<b><u>\$ 2,386</u></b>	<b><u>\$ 10,544</u></b>	<b><u>\$ 56,193</u></b>	<b><u>\$ 191,207</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 1,873	\$ -	\$ -	\$ 1,971	\$ 3,844
Due to grant fund	-	-	-	750	750
Total Liabilities	<u>1,873</u>	<u>-</u>	<u>-</u>	<u>2,721</u>	<u>4,594</u>
Fund Balances					
Restricted	<u>120,211</u>	<u>2,386</u>	<u>10,544</u>	<u>53,472</u>	<u>186,613</u>
Total Fund Balances	<u>120,211</u>	<u>2,386</u>	<u>10,544</u>	<u>53,472</u>	<u>186,613</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 122,084</u></b>	<b><u>\$ 2,386</u></b>	<b><u>\$ 10,544</u></b>	<b><u>\$ 56,193</u></b>	<b><u>\$ 191,207</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BELLEVUE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2015**

	Municipal Aid Fund	Public Safety Fund	Rental Inspection Fund	Parks Fund	Total
<b>REVENUES</b>					
Interest earned	\$ 118	\$ -	\$ 1	\$ 30	\$ 149
Donations and other	200	2,925	-	4,627	7,752
Intergovernmental:	-	-	-	720	720
Commonwealth of Kentucky	140,937	-	-	-	140,937
<b>TOTAL REVENUES</b>	<u>141,255</u>	<u>2,925</u>	<u>1</u>	<u>5,377</u>	<u>149,558</u>
<b>EXPENDITURES</b>					
Administration	-	-	1,785	-	1,785
Police department	-	4,173	-	-	4,173
Recreation	-	-	-	14,986	14,986
Street maintenance	236,304	-	-	-	236,304
Park maintenance	-	-	-	36,430	36,430
<b>TOTAL EXPENDITURES</b>	<u>236,304</u>	<u>4,173</u>	<u>1,785</u>	<u>51,416</u>	<u>293,678</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(95,049)</u>	<u>(1,248)</u>	<u>(1,784)</u>	<u>(46,039)</u>	<u>(144,120)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	12,248	40,000	52,248
Transfers out	100,000	-	-	-	(100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(100,000)</u>	<u>-</u>	<u>12,248</u>	<u>40,000</u>	<u>(47,752)</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(195,049)</u>	<u>(1,248)</u>	<u>10,464</u>	<u>(6,039)</u>	<u>(191,872)</u>
<b>FUND BALANCE, JULY 1, 2014</b>	<u>315,260</u>	<u>3,634</u>	<u>80</u>	<u>59,511</u>	<u>378,485</u>
<b>FUND BALANCE, JUNE 30, 2015</b>	<u>\$ 120,211</u>	<u>\$ 2,386</u>	<u>\$ 10,544</u>	<u>\$ 53,472</u>	<u>\$ 186,613</u>

The accompanying notes are an integral part of these financial statements.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>COMBINING BALANCE SHEET - PROPRIETARY FUNDS</b> <b>June 30, 2015</b>
---

	<u>Bellevue URCD Agency</u>	<u>Port Bellevue Rental Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 95,909	\$ 130,730	\$ 226,639
Note receivable - current	12,667	-	12,667
Fixed assets, net of depreciation	11,500	4,920,893	4,932,393
Deferred loss on defeasance of bond	-	179,458	179,458
Note receivable - noncurrent	<u>286,833</u>	<u>-</u>	<u>286,833</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 406,909</u></u>	<u><u>\$ 5,231,081</u></u>	<u><u>\$ 5,637,990</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 21,317	\$ 131	\$ 21,448
Bonds payable - current	-	119,313	119,313
Accrued interest	-	7,936	7,936
Bonds payable - noncurrent	<u>-</u>	<u>2,899,703</u>	<u>2,899,703</u>
Total Liabilities	<u>21,317</u>	<u>3,027,083</u>	<u>3,048,400</u>
Fund Balances			
Net investment in capital assets	11,500	2,081,335	2,092,835
Unrestricted	<u>374,092</u>	<u>122,663</u>	<u>496,755</u>
Total Fund Balances	<u>385,592</u>	<u>2,203,998</u>	<u>2,589,590</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 406,909</u></u>	<u><u>\$ 5,231,081</u></u>	<u><u>\$ 5,637,990</u></u>

The accompanying notes are an integral part of these financial statements.

<p><b>CITY OF BELLEVUE, KENTUCKY</b>  <b>COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN</b>  <b>NET POSITION - PROPRIETARY FUNDS</b>  <b>For the Year Ended June 30, 2015</b></p>
---

	Bellevue URCD Agency	Port Bellevue Rental Fund	Total
<b>REVENUES</b>			
Rental income	\$ -	\$ 227,981	\$ 227,981
<b>TOTAL REVENUES</b>	<u>-</u>	<u>227,981</u>	<u>227,981</u>
<b>OPERATING EXPENSES</b>			
Professional fees	37,547	-	37,547
Utilities	-	5,589	5,589
Repairs and maintenance	-	847	847
Depreciation	-	40,131	40,131
Other	20,000	-	20,000
<b>TOTAL OPERATING EXPENSES</b>	<u>57,547</u>	<u>46,567</u>	<u>104,114</u>
<b>OPERATING PROFIT (LOSS)</b>	<u>(57,547)</u>	<u>181,414</u>	<u>123,867</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest expense	-	(107,119)	(107,119)
Interest earned	9,206	253	9,459
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>9,206</u>	<u>(106,866)</u>	<u>(97,660)</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(48,341)	74,548	26,207
<b>NET POSITION, JULY 1, 2014</b>	<u>433,933</u>	<u>2,129,450</u>	<u>2,563,383</u>
<b>NET POSITION, JUNE 30, 2015</b>	<u>\$ 385,592</u>	<u>\$ 2,203,998</u>	<u>\$ 2,589,590</u>

The accompanying notes are an integral part of these financial statements.

<b>CITY OF BELLEVUE, KENTUCKY</b> <b>COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS</b> <b>June 30, 2015</b>
---

	<u>Capital Improvement Fund</u>	<u>Grant Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 96,674	\$ 528,338	\$ 99,019	\$ 724,031
Accounts receivable:				
Intergovernmental - Commonwealth of Kentucky	-	4,029	-	4,029
Due from other funds	-	750	-	750
<b>TOTAL ASSETS</b>	<u>\$ 96,674</u>	<u>\$ 533,117</u>	<u>\$ 99,019</u>	<u>\$ 728,810</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	51,860	-	51,860
Interest payable	-	-	29,735	29,735
Total Liabilities	<u>-</u>	<u>51,860</u>	<u>29,735</u>	<u>81,595</u>
Fund Balances				
Assigned for				
Capital projects funds	96,674	481,257	-	577,931
Debt service funds	-	-	69,284	69,284
Total Fund Balances	<u>96,674</u>	<u>481,257</u>	<u>69,284</u>	<u>647,215</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 96,674</u>	<u>\$ 533,117</u>	<u>\$ 99,019</u>	<u>\$ 728,810</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BELLEVUE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<u>Capital Improvement Fund</u>	<u>Grant Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
From local sources				
Earnings on investments	\$ 56	\$ 159	\$ 129	\$ 344
Other local revenues	3,075	-	-	3,075
<b>TOTAL REVENUES</b>	<u>3,131</u>	<u>159</u>	<u>129</u>	<u>3,419</u>
<b>EXPENDITURES</b>				
Supplies, maintenance, and repairs:				
Administraion - city building	14,463	-	-	14,463
Police department	3,621	-	-	3,621
Public works - Lincoln Road	-	5,092	-	5,092
Capital outlay equipment				
Police department	36,535	-	-	36,595
Public works	6,475	-	-	6,475
Debt service	-	-	146,916	146,916
<b>TOTAL EXPENDITURES</b>	<u>61,154</u>	<u>5,092</u>	<u>146,916</u>	<u>213,162</u>
<b>EXCESS (DEFECIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(58,023)</u>	<u>(4,933)</u>	<u>(146,787)</u>	<u>(209,743)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BELLEVUE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**For the Year Ended June 30, 2015**

	<u>Capital Improvement Fund</u>	<u>Grant Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Fund</u>
(From previous page)				
<b>EXCESS (DEFECIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (58,023)	\$ (4,933)	\$ (146,787)	\$ (209,743)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from bank borrowing	27,365	-	-	27,365
Proceeds from sale of fixed assets	5,635	-	-	5,635
Operating transfers in	45,000	250,000	151,063	446,063
Operating transfers out	(50,203)	-	-	(50,203)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>27,797</u>	<u>250,000</u>	<u>151,063</u>	<u>428,860</u>
<b>EXCESS (DEFICIT) OF REVENUES AND AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES</b>	(30,226)	245,067	4,276	219,117
<b>FUND BALANCE, JULY 1, 2014</b>	<u>126,900</u>	<u>236,190</u>	<u>65,008</u>	<u>428,098</u>
<b>FUND BALANCE, JUNE 30, 2015</b>	<u>\$ 96,674</u>	<u>\$ 481,257</u>	<u>\$ 69,284</u>	<u>\$ 647,215</u>

The accompanying notes are an integral part of these financial statements.



**INDEPENDENT AUDITOR'S 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**

**To the Honorable Mayor and  
Members of Council of  
City of Bellevue, Kentucky**

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 and each major fund of the City of Bellevue, Kentucky as of June 30, 2015 and the related notes to the financial statements which collectively comprise the City of Bellevue, Kentucky's financial statements, and have issued our report thereon dated December 8, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Bellevue, Kentucky'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 City of Bellevue, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bellevue, Kentucky'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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue, Kentucky's financial statements are free of 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 audits, 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*.

### 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.

*Van Gorder, Walker & Co., Inc.*

**Van Gorder, Walker, & Co., Inc.**

Erlanger, Kentucky

December 8, 2015