

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2013**

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

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**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**OFFICIALS**

Name	Title	Term Expires
Chris Roling	Mayor	2016
Dan Blitgen	Council Member	2014
Tim Roth	Council Member	2016
Gary Feuerbach	Council Member	2014
Darla Lawson	Council Member	2014
Allen Ernst	Council Member	2016
Loras Herrig	Administrator	2014
Janet Callaghan	City Clerk	2014
Cindy Blake	Assistant Clerk	2014
Steven Kahler	Attorney	2014
Lynn Schwager	Police Chief	2014
Chuck Keuter	Street Superintendent	2014

# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
J.W. HANNAN, CPA  
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S.H. ROBERTS, CPA  
J.L. WOOLF, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit includes 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 11 and 31 through 32 has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2014, on our consideration of the City of Bellevue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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's internal control over financial reporting and compliance.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
February 10, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Receipts included \$858,702 in property tax, \$305,452 in TIF, \$176,994 in local option tax, \$209,823 in road use tax. Both property taxes and TIF are increased from fiscal year 2012. Continued growth in construction and property values accounts for the increases in both property taxes and TIF as the city continues to encourage growth with staff time and policies.
- Disbursements decreased 9.6% in fiscal 2013 from fiscal 2012, a total of \$904,012. Disbursements in governmental activities increased 37.5%, a total of \$1,114,144 and business type activities disbursements decreased \$2,018,156 or 31.2%. The large increase in governmental disbursements is mostly attributed to the refinance of existing debt to take advantage of lower interest rates. The decrease in business type disbursements is due to a large telecommunication refinance in 2012 which increased the 2012 numbers. The 2013 numbers reflected a closer to normal operating year.
- The City's total cash basis net position increased \$1,266,350 or 43.2% from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased \$960,384 and the assets of the business type activities increased \$305,966. The majority of the increase in governmental assets is the result of smaller than anticipated expenses on a number of budget items and a delay in some expenses that will show up in the next fiscal year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, storm water, and telecommunications services. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains eleven Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, storm water, cable television, and customer deposits funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1,278,454 to \$2,238,838. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2013	2012
Receipts and transfers:		
Program Receipts:		
Charges for services	\$ 63,520	\$ 72,456
Operating grants and contributions	383,985	343,633
Capital grants and contributions	11,741	5,600
General Receipts:		
Property tax	858,702	830,566
Tax increment financing	305,452	250,105
Local option sales tax	176,994	173,838
Other city tax	48,494	42,902
Unrestricted investment earnings	3,935	3,062
Proceeds of debt	2,624,896	875,000
Other general receipts	21,518	30,580
Transfers, net	550,089	512,403
	-----	-----
Total receipts and transfers	\$5,049,326	\$3,140,145
	-----	-----
Disbursements:		
Public safety	\$ 495,718	\$ 622,602
Public works	317,093	403,312
Culture and recreation	286,019	280,469
Community and economic development	89,670	26,558
General government	517,656	431,432
Debt service	677,675	617,641
Capital projects	448,121	378,484
Payment to refund notes	1,256,990	214,300
	-----	-----
Total disbursements	\$4,088,942	\$2,974,798
	-----	-----
Change in cash basis net position	\$ 960,384	\$ 165,347
Cash basis net position beginning of year	1,278,454	1,113,107
	-----	-----
Cash basis net position end of year	\$2,238,838	1,278,454
	=====	=====

Total receipts for the City's governmental activities increased by 60.8%, or \$1,909,181. The total cost of all programs and services increased 37.5%, or \$1,114,144. The increase in receipts was caused mainly by the proceeds of refunding our debt. The City took advantage of low interest rates to reduce our total interest expense.

The cost of all governmental activities this year was \$4,088,942 compared to \$2,974,798 last year. Disbursements in the culture and recreation, community and economic development, general government, debt service, and capital projects functions increased \$284,557 while public safety and public works decreased \$213,103. The main increase in disbursements was a result of payments to refinance debt.

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### Changes in Cash Basis Net Position of Business Type Activities

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	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charge for services:		
Water	\$ 283,397	\$ 274,127
Electric	2,341,546	2,265,754
Sewer rental	443,288	428,155
Sanitation	317,300	282,829
Ambulance	147,188	130,470
Telecommunications	990,959	819,665
Storm water	75,575	---
Operating grants and contributions	8,271	12,642
General receipts:		
Unrestricted interest on investments	7,794	5,892
Miscellaneous	134,816	107,827
Proceeds of debt	---	3,150,000
Total receipts	\$ 4,750,134	\$ 7,477,361
Disbursements and transfers:		
Water	\$ 224,474	\$ 376,824
Electric	2,004,665	1,864,704
Sewer rental	268,202	184,102
Sanitation	294,338	261,309
Ambulance	128,775	65,687
Telecommunications	961,225	3,185,399
Storm water	1,973	---
Customer's deposits	10,427	11,896
Transfers, net	550,089	512,403
Total disbursements and transfers	\$ 4,444,168	\$ 6,462,324
Increase (decrease) in cash basis net position	\$ 305,966	\$ 1,015,037
Cash basis net position beginning of year	1,650,076	635,039
Cash basis net position end of year	\$ 1,956,042	\$ 1,650,076

Total business type activities receipts for the fiscal year were \$4,750,134 compared to \$7,477,361 last year. The decrease in receipts was due to no major refinancing of debt in 2013 as compared to 2012.

Total disbursements and transfers for the fiscal year were \$4,444,168 compared to \$6,462,324 last year. Disbursements decreased due to the lack of telecommunication refinancing which occurred in 2012.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$2,238,838, an increase of \$960,384 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund cash balance decreased from \$630,045 to \$606,433 due to normal operating expenses and a desire to keep tax revenues as low as possible.
- The Capital Projects Fund cash balance increased from \$296,724 to \$770,724 due to funds remaining for the Jefferson Avenue Project that will be used in the next fiscal year.
- The Debt Service Fund cash balance increased from \$3,022 to \$455,523 due to funds borrowed during the refinance that will be spent in the next fiscal year.

## **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

- The Water Fund cash balance increased from \$196,439 to \$210,879 due to operating profits.
- The Electric Fund cash balance increased from \$936,730 to \$1,054,720 as a result of operating profits.
- The Electric – Capital Equipment Fund cash balance increased from \$246,030 to \$477,302. This fund is being increased by transfers from the Electric Fund. Eventually, these funds will be used for planned improvements including meter upgrades and other infrastructure.
- The Sewer Fund cash balance decreased from \$(10,620) to \$(33,257). This fund will eventually have a positive cash balance as rate increases and cost cutting return the operation to profitability. The final payment on the 1998 upgrade will be paid in 2014 which will also improve cash flow.
- The Sanitation Fund cash balance decreased from \$1,596 to \$(8,600) as a result of operating expenses. A planned rate increase along with future operating reductions should restore this fund to a positive balance.
- The Ambulance Fund cash balance increased from \$285,039 to \$307,483. This fund continues to grow as call volume remains strong. An ambulance will be purchased in the near future which will utilize some of the reserves.
- The Telecommunications Fund cash balance decreased from \$(34,032) to \$(100,300) due to operating expenses. A planned rate increase will help to reduce this deficit along with a hopeful reduction in operating expenses.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2013 to provide for possible disbursements before year end.

The City's total disbursements were under budget by \$2,805,653. The actual disbursements that were anticipated did not happen before year end. Some of the expenses actually occurred in the next fiscal year. The city exceeded the amount budgeted in the capital projects function due to project costs that were included in the budget under the public works function rather than the capital projects function.

## DEBT ADMINISTRATION

At June 30, 2013, the city had \$6,526,946 in long-term debt, compared to \$5,889,035 last year, as shown below.

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### Outstanding Debt at Year-end

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	June 30,	
	2013	2012
General obligation notes	\$ 3,420,000	\$ 2,597,500
Revenue notes	2,986,946	3,107,450
Other obligations	120,000	184,085
	-----	-----
Total	\$ 6,526,946	\$ 5,889,035
	=====	=====

During the year ended June 30, 2013, the City issued \$2,635,000 of general obligation notes to finance street improvements. In addition, approximately \$1,257,000 was used to currently refund several outstanding notes.

Total principal paid during the year excluding payments to refund notes was \$501,872.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,420,000 is below its constitutional debt limit of \$6,381,227.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2014. Total revenues anticipated are \$6,627,140, an increase from 2013 where total actual receipts were \$6,624,475. Total disbursements anticipated are \$7,565,571, an increase from 2013 where total actual disbursements were \$6,726,031. The city continues to increase reserves to provide for future economic downturns while upgrading infrastructure where needed.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This 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 questions about this report or need additional financial information, contact Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

**BASIC  
FINANCIAL  
STATEMENTS**

CITY OF BELLEVUE  
BELLEVUE, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs:	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities:</b>							
Public safety	\$ 495,718	\$ 8,797	\$ 100,880	\$ ---	\$ (386,041)	\$ ---	\$ (386,041)
Public works	317,093	---	254,823	---	(62,270)	---	(62,270)
Culture and recreation	286,019	37,841	28,282	11,741	(208,155)	---	(208,155)
Community and economic development	89,670	---	---	---	(89,670)	---	(89,670)
General government	517,656	16,882	---	---	(500,774)	---	(500,774)
Debt service	677,675	---	---	---	(677,675)	---	(677,675)
Capital projects	448,121	---	---	---	(448,121)	---	(448,121)
<b>Total Governmental Activities</b>	<b>\$ 2,831,952</b>	<b>\$ 63,520</b>	<b>\$ 383,985</b>	<b>\$ 11,741</b>	<b>\$ (2,372,706)</b>	<b>\$ ---</b>	<b>\$ (2,372,706)</b>
<b>Business Type Activities:</b>							
Water	\$ 224,474	\$ 283,397	\$ ---	\$ ---	\$ ---	\$ 58,923	\$ 58,923
Electric	1,970,425	2,341,546	---	---	---	371,121	371,121
Electric - capital equipment	34,240	---	---	---	---	(34,240)	(34,240)
Sewer rental	268,202	443,288	---	---	---	175,086	175,086
Sanitation	294,338	317,300	---	---	---	22,962	22,962
Ambulance	128,775	147,188	8,271	---	---	26,684	26,684
Telecommunications	961,225	990,959	---	---	---	29,734	29,734
Storm water	1,973	75,575	---	---	---	73,602	73,602
Customer deposits	10,427	---	---	---	---	(10,427)	(10,427)
<b>Total Business Type Activities</b>	<b>\$ 3,894,079</b>	<b>\$ 4,599,253</b>	<b>\$ 8,271</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 713,445</b>	<b>\$ 713,445</b>
<b>Total</b>	<b>\$ 6,726,031</b>	<b>\$ 4,662,773</b>	<b>\$ 392,256</b>	<b>\$ 11,741</b>	<b>\$ (2,372,706)</b>	<b>\$ 713,445</b>	<b>\$ (1,659,261)</b>

See notes to financial statements.

CITY OF BELLEVUE  
BELLEVUE, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
<b>General Receipts and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 741,183	\$ ---	\$ 741,183
Debt service				117,519	---	117,519
Tax increment financing				305,452	---	305,452
Local option sales tax				176,994	---	176,994
Other city tax				48,494	---	48,494
Unrestricted interest on investments				3,935	7,794	11,729
Interfund debt repayment				---	64,085	64,085
Miscellaneous				21,518	70,731	92,249
Proceeds of debt				900,000	---	900,000
Proceeds of refunding debt				1,724,896	---	1,724,896
Payment to refund notes				(1,256,990)	---	(1,256,990)
Transfers				550,089	(550,089)	---
<b>Total General Receipts and Transfers</b>				<b>\$ 3,333,090</b>	<b>\$ (407,479)</b>	<b>\$ 2,925,611</b>
<b>Change in Cash Basis Net Position</b>				<b>\$ 960,384</b>	<b>\$ 305,966</b>	<b>\$ 1,266,350</b>
<b>Cash Basis Net Position Beginning of Year</b>				<b>1,278,454</b>	<b>1,650,076</b>	<b>2,928,530</b>
<b>Cash Basis Net Position End of Year</b>				<b>\$ 2,238,838</b>	<b>\$ 1,956,042</b>	<b>\$ 4,194,880</b>
<b>Cash Basis Net Position:</b>						
Restricted:						
Expendable:						
Urban renewal purposes				\$ 103,762	\$ ---	\$ 103,762
Debt service				455,523	---	455,523
Public safety				3,373	---	3,373
Streets				79,623	---	79,623
Museum				17,023	---	17,023
Library				13,680	---	13,680
Ambulance				111,927	---	111,927
Fire department				137,544	---	137,544
Unrestricted				1,316,383	1,956,042	3,272,425
<b>Total Cash Basis Net Position</b>				<b>\$ 2,238,838</b>	<b>\$ 1,956,042</b>	<b>\$ 4,194,880</b>

See notes to financial statements.

**EXHIBIT "B"**

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Receipts:</b>					
Property tax	\$ 549,065	\$ ---	\$ 117,519	\$ 192,118	\$ 858,702
Tax increment financing	---	---	---	305,452	305,452
Other city tax	132,183	---	---	88,497	220,680
Licenses and permits	16,882	---	---	---	16,882
Use of money and property	10,101	576	460	1,909	13,046
Intergovernmental	121,208	---	---	209,823	331,031
Charges for services	35,049	---	---	---	35,049
Miscellaneous	14,065	21,545	---	57,889	93,499
<b>Total Receipts</b>	<b>\$ 878,553</b>	<b>\$ 22,121</b>	<b>\$ 117,979</b>	<b>\$ 855,688</b>	<b>\$ 1,874,341</b>
<b>Disbursements:</b>					
Operating:					
Public safety	\$ 478,661	\$ ---	\$ ---	\$ 17,057	\$ 495,718
Public works	95,257	---	---	221,836	317,093
Culture and recreation	286,019	---	---	---	286,019
Community and economic development	7,552	---	---	82,118	89,670
General government	517,656	---	---	---	517,656
Debt service	---	---	677,675	---	677,675
Capital projects	---	448,121	---	---	448,121
<b>Total Disbursements</b>	<b>\$ 1,385,145</b>	<b>\$ 448,121</b>	<b>\$ 677,675</b>	<b>\$ 321,011</b>	<b>\$ 2,831,952</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>\$ (506,592)</b>	<b>\$ (426,000)</b>	<b>\$ (559,696)</b>	<b>\$ 534,677</b>	<b>\$ (957,611)</b>

EXHIBIT "B" (Continued)

CITY OF BELLEVUE  
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Other Financing Sources (Uses):</b>					
Proceeds of debt	\$ ---	\$ 900,000	\$ ---	\$ ---	\$ 900,000
Proceeds of refunding debt	---	---	1,724,896	---	1,724,896
Payment to refund notes	---	---	(1,256,990)	---	(1,256,990)
Operating transfers in	512,980	---	544,291	---	1,057,271
Operating transfers out	(30,000)	---	---	(477,182)	(507,182)
Total Other Financing Sources (Uses)	\$ 482,980	\$ 900,000	\$ 1,012,197	\$ (477,182)	\$ 1,917,995
Change in Cash Balances	\$ (23,612)	\$ 474,000	\$ 452,501	\$ 57,495	\$ 960,384
Cash Balances Beginning of Year	630,045	296,724	3,022	348,663	1,278,454
Cash Balances End of Year	\$ 606,433	\$ 770,724	\$ 455,523	\$ 406,158	\$ 2,238,838
<b>Cash Basis Fund Balances:</b>					
Restricted for:					
Urban renewal purposes	\$ ---	\$ ---	\$ ---	\$ 103,762	\$ 103,762
Debt service	---	---	455,523	---	455,523
Public safety	3,373	---	---	---	3,373
Streets	26,698	---	---	52,925	79,623
Museum	17,023	---	---	---	17,023
Library	13,680	---	---	---	13,680
Ambulance	---	---	---	111,927	111,927
Fire department	---	---	---	137,544	137,544
Committed for capital projects	---	770,724	---	---	770,724
Assigned for:					
Railroad related improvements	70,026	---	---	---	70,026
Public safety	26,297	---	---	---	26,297
Unassigned	449,336	---	---	---	449,336
Total Cash Basis Fund Balances	\$ 606,433	\$ 770,724	\$ 455,523	\$ 406,158	\$ 2,238,838

See notes to financial statements.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds			
	Water	Electric	Electric- Capital Equipment	Sewer Rental
<b>Operating Receipts:</b>				
Use of money and property	\$ ---	\$ 3,278	\$ ---	\$ ---
Charges for service	283,397	2,338,268	---	443,288
Miscellaneous	1,475	52,909	---	142
Total Operating Receipts	\$ 284,872	\$ 2,394,455	\$ ---	\$ 443,430
<b>Operating Disbursements:</b>				
Business type activities	\$ 184,474	\$ 1,970,425	\$ 34,240	\$ 268,202
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 100,398	\$ 424,030	\$ (34,240)	\$ 175,228
<b>Non-Operating Receipts (Disbursements):</b>				
Intergovernmental	\$ ---	\$ ---	\$ ---	\$ ---
Interest on investments	842	4,357	1,427	---
Interfund debt repayments	---	---	64,085	---
Debt service	(40,000)	---	---	---
Total Non-Operating Receipts (Disbursements)	\$ (39,158)	\$ 4,357	\$ 65,512	\$ ---
Excess of Receipts Over Disbursements	\$ 61,240	\$ 428,387	\$ 31,272	\$ 175,228
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	\$ ---	\$ ---	\$ 200,000	\$ ---
Operating transfers out	(46,800)	(310,397)	---	(197,865)
Total Other Financing Sources (Uses)	\$ (46,800)	\$ (310,397)	\$ 200,000	\$ (197,865)
Change in Cash Balances	\$ 14,440	\$ 117,990	\$ 231,272	\$ (22,637)
Cash Balances Beginning of Year	196,439	936,730	246,030	(10,620)
Cash Balances End of Year	\$ 210,879	\$ 1,054,720	\$ 477,302	\$ (33,257)
<b>Cash Basis Fund Balances:</b>				
Unrestricted	\$ 210,879	\$ 1,054,720	\$ 477,302	\$ (33,257)

See notes to financial statements.

**CITY OF BELLEUVE  
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds				
	Sanitation	Ambulance	Telecom- munications	Nonmajor	Total
<b>Operating Receipts:</b>					
Use of money and property	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,278
Charges for services	317,300	147,188	990,959	75,575	4,595,975
Miscellaneous	564	---	1,440	14,201	70,731
<b>Total Operating Receipts</b>	<b>\$ 317,864</b>	<b>\$ 147,188</b>	<b>\$ 992,399</b>	<b>\$ 89,776</b>	<b>\$ 4,669,984</b>
<b>Operating Disbursements:</b>					
Business type activities	\$ 294,338	\$ 128,775	\$ 732,133	\$ 12,400	\$ 3,624,987
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 23,526	\$ 18,413	\$ 260,266	\$ 77,376	\$ 1,044,997
<b>Non-Operating Receipts (Disbursements):</b>					
Intergovernmental	\$ ---	\$ 8,271	\$ ---	\$ ---	\$ 8,271
Interest on investments	---	1,168	---	---	7,794
Interfund debt repayments	---	---	---	---	64,085
Debt service	---	---	(229,092)	---	(269,092)
<b>Total Non-Operating Receipts (Disbursements)</b>	<b>\$ ---</b>	<b>\$ 9,439</b>	<b>\$ (229,092)</b>	<b>\$ ---</b>	<b>\$ (188,942)</b>
Excess of Receipts Over Disbursements	\$ 23,526	\$ 27,852	\$ 31,174	\$ 77,376	\$ 856,055
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ ---	\$ 200,000
Operating transfers out	(33,722)	(5,408)	(97,442)	(58,455)	(750,089)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (33,722)</b>	<b>\$ (5,408)</b>	<b>\$ (97,442)</b>	<b>\$ (58,455)</b>	<b>\$ (550,089)</b>
Change in Cash Balances	\$ (10,196)	\$ 22,444	\$ (66,268)	\$ 18,921	\$ 305,966
Cash Balances Beginning of Year	1,596	285,039	(34,032)	28,894	1,650,076
Cash Balances End of Year	<u>\$ (8,600)</u>	<u>\$ 307,483</u>	<u>\$ (100,300)</u>	<u>\$ 47,815</u>	<u>\$ 1,956,042</u>
<b>Cash Basis Fund Balances:</b>					
Unrestricted	<u>\$ (8,600)</u>	<u>\$ 307,483</u>	<u>\$ (100,300)</u>	<u>\$ 47,815</u>	<u>\$ 1,956,042</u>

See notes to financial statements.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies:**

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, storm sewer, electric, sanitation, and cable and internet telecommunication utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jackson County Assessor's Conference Board, Jackson County Joint E911 Service Board, Bellevue Economic Tourism Association, Jackson County Municipal League, and Jackson County Economic Alliance.

**B. Basis of Presentation**

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Principles: (Continued)**

**B. Basis of Presentation (Continued)**

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

The Enterprise, Electric – Capital Equipment Fund is used to account for capital improvements relating to the City's enterprise funds.

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Sanitation Fund is used to account for the operation and maintenance of the City's refuse collection services.

The Enterprise, Ambulance Fund is used to account for the operation and maintenance of the City's ambulance service.

The Enterprise, Telecommunications Fund is used to account for the operation and maintenance of the City's cable television and internet system.

**C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Principles: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function.

**Note 2 - Cash and Pooled Investments:**

The City's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 2 - Cash and Pooled Investments: (Continued)**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments:

Investment	Carrying Amount	Maturity
U.S. Treasury Securities	\$ 3,044	December, 2013
U.S. Treasury Securities	432,425	June, 2014
	\$ 435,469	

The carrying amount of the U.S. Treasury Securities approximates the fair value of the securities as of June 30, 2013.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**Note 3 - Bonds and Notes Payable:**

Annual debt service requirements to maturity for general obligation bonds/notes and revenue notes are as follows:

Year Ending June 30	General Obligation Bonds/Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2014	\$ 575,000	\$ 68,523	\$ 122,584	\$ 106,508
2015	650,000	49,895	127,148	101,944
2016	605,000	35,470	131,882	97,210
2017	375,000	21,198	136,790	92,302
2018	370,000	16,510	123,288	87,256
2019-2023	845,000	22,488	482,740	383,122
2024-2028	---	---	577,924	287,936
2029-2033	---	---	691,910	173,950
2034-2038	---	---	592,680	48,268
	\$ 3,420,000	\$ 214,084	\$ 2,986,946	\$ 1,378,496

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 3 - Bonds and Notes Payable: (Continued)**

Year Ending June 30	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2014	\$ 40,000	\$ ---	\$ 737,584	\$ 175,031
2015	40,000	---	817,148	151,839
2016	40,000	---	776,882	132,680
2017	---	---	511,790	113,500
2018	---	---	493,288	103,766
2019-2023	---	---	1,327,740	405,610
2024-2028	---	---	577,924	287,936
2029-2033	---	---	691,910	173,950
2034-2038	---	---	592,680	48,268
	<u>\$ 120,000</u>	<u>\$ ---</u>	<u>\$ 6,526,946</u>	<u>\$ 1,592,580</u>

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2013.

*Revenue Notes:*

The City has pledged future telecommunications customer receipts, net of specified operating disbursements, to repay \$3,150,000 in telecommunications revenue and refunding notes issued March 8, 2012. Proceeds from the notes were used for the refunding of project notes and provided financing for improving the City's telecommunications system. The notes are payable solely from telecommunications customer net receipts and are payable through 2037. Annual principal and interest payments on the notes are expected to require less than 24 percent of the receipts. Total principal and interest remaining to be paid on the notes is \$4,365,442. For the current year, principal and interest paid and total customer net receipts were \$229,092 and \$990,959, respectively.

The resolution providing for the issuance of the telecommunications revenue notes include the following provisions:

- (a) The principal of the notes bears interest from the date of the notes until the first interest adjustment date at the rate of 3.5% to 3.8% per annum. On March 1, 2017, March 1, 2022, March 1, 2027 and March 1, 2032 the ("Interest Adjustment Dates"), the interest rate on the notes will be adjusted to a rate equal to 2.0% to 2.5% over the 5-year U.S. Treasury Constant Maturities as released by the Board of Governors of the Federal Reserve System.
- (b) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (c) Establish a Sinking Fund and make a monthly cash transfer equal to the principal and interest installment due on the next succeeding payment date.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 3 - Bonds and Notes Payable: (Continued)**

The City's Telecommunications Fund balance is not sufficient to meet the Sinking Fund requirements.

*General Obligation Notes:*

On September 1, 2006, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$1,850,000 in General Obligation Corporate Purpose Notes.

On March 1, 2010, the City issued \$815,000 of general obligation refunding bonds with an average rate of 1.62% to redeem \$780,000 in 1999 Series revenue notes and 2000 Series general obligation notes with an average rate of 5.04%

On April 16, 2013, the City issued \$2,635,000 of general obligation refunding bonds, with interest rates ranging from 1.25% to 1.80% for a crossover advance refunding of the general obligation bonds issued September 1, 2006, and to currently refund the general obligation notes issued May 29, 2009, September 15, 2011, November 29, 2009, and June 1, 2012. The City entered into an escrow agreement whereby \$435,469 of the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the \$430,000 principal on the refunded general obligation bonds when they become callable on June 1, 2015 and the interest from April 16, 2013 to and including June 1, 2014 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The City refunded the bonds to reduce its total debt service payments by approximately \$100,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$95,000.

*Other Obligations:*

On June 30, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$400,000 expended for municipal wells. This amount will be repaid in annual installments of \$40,000 with the final payment due December 1, 2015.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 4 - Pension and Retirement Benefits:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$93,485, \$83,225 and \$77,062, respectively, equal to the required contributions for each year.

**Note 5 - Other Postemployment Benefits (OPEB):**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 22 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Medical Associates Health Plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$505 for single coverage and \$1,283 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$205,010 and plan members eligible for benefits contributed \$61,522 to the plan.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 6 - Development Agreements:**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under these agreements are subject to annual appropriation by the City Council. The total to be paid by the City under these agreements is not to exceed \$3,828,808.

The City has rebated a total of \$116,975 under these agreements. Of this amount \$82,118 was paid during the current year.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

**Note 7 - 28 E Agreements:**

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, and Sabula. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 24, 1990, the City entered into a 28E Agreement with Jackson County. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2012, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 15 - September 14, 2013 for the Pleasant Creek Recreation Area, Mississippi River Project.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 8 - 28 D Agreement:**

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

**Note 9 - Compensated Absences:**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2013 primarily relating to the General and Utility Funds, is as follows:

Type of Benefit	Amount
----- Vacation	----- \$ 68,473 =====

The liability has been computed based on rates of pay as of June 30, 2013.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 10 - Interfund Transfers:**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue:	
	Employee Benefits	\$ 192,411
	Enterprise:	
	Water	36,800
	Electric	110,397
	Sewer Rental	36,800
	Sanitation	33,722
	Ambulance	5,408
	Telecommunications	97,442
		-----
		\$ 512,980
		-----
Debt Service	General	\$ 30,000
	Special Revenue:	
	TIF - District	229,878
	LOT - Street Improvement	54,893
	Enterprise:	
	Water	10,000
	Sewer Rental	161,065
	Storm Water	58,455
		-----
		\$ 544,291
		-----
Enterprise:		
Electric- Capital Equipment	Electric	\$ 200,000
		-----
Total		\$1,257,271
		=====

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move "in lieu of tax" payments from the enterprise funds.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 11 - Risk Management:**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$108,436.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 11 - Risk Management: (Continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**Note 12 - Deficit Fund Balance:**

The Sewer Rental Fund, Sanitation Fund, and the Telecommunications Fund had deficit balances at June 30, 2013, in the amount of \$33,257, \$8,600, and \$100,300, respectively.

**Note 13 - Related Party Transactions:**

The City had business transactions between the City and City officials totaling \$855 during the year ended June 30, 2013.

**Note 14 - Commitments and Contingencies:**

In fiscal year 2013, the City entered into a contract totaling \$343,049 for Park Street storm water drainage improvements. At June 30, 2013, \$133,775 had been paid under the contract.

**Note 15 - Subsequent Events:**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 10, 2014, the date the financial statements were available to be issued.

**OTHER  
INFORMATION**

CITY OF BELLEVUE  
BELLEVUE, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
<b>Receipts:</b>						
Property tax	\$ 858,702	\$ ---	\$ 858,702	\$ 869,509	\$ 869,509	\$ (10,807)
Tax increment financing	305,452	---	305,452	300,482	300,482	4,970
Other city tax	220,680	---	220,680	225,995	225,995	(5,315)
Licenses and permits	16,882	---	16,882	13,400	13,400	3,482
Use of money and property	13,046	11,072	24,118	11,500	11,500	12,618
Intergovernmental	331,031	8,271	339,302	270,095	270,095	69,207
Charges for service	35,049	4,595,975	4,631,024	4,503,987	4,703,987	(72,963)
Miscellaneous	93,499	134,816	228,315	64,000	64,000	164,315
Total Receipts	\$ 1,874,341	\$ 4,750,134	\$ 6,624,475	\$ 6,258,968	\$ 6,458,968	\$ 165,507
<b>Disbursements:</b>						
Public safety	\$ 495,718	\$ ---	\$ 495,718	\$ 856,647	\$ 876,647	\$ 380,929
Public works	317,093	---	317,093	1,562,019	1,562,019	1,244,926
Culture and recreation	286,019	---	286,019	304,733	324,733	38,714
Community and economic development	89,670	---	89,670	306,482	336,482	246,812
General government	517,656	---	517,656	421,984	521,984	4,328
Debt service	677,675	---	677,675	370,021	1,722,521	1,044,846
Capital projects	448,121	---	448,121	---	---	(448,121)
Business-type activities	---	3,894,079	3,894,079	3,702,298	4,187,298	293,219
Total Disbursements	\$ 2,831,952	\$ 3,894,079	\$ 6,726,031	\$ 7,524,184	\$ 9,531,684	\$ 2,805,653

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)-  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION**

**YEAR ENDED JUNE 30, 2013**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts ----- Original	Final	Final to Total Variance -----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (957,611)	\$ 856,055	\$ (101,556)	\$(1,265,216)	\$(3,072,716)	\$ 2,971,160
Other Financing Sources (Uses), Net	1,917,995	(550,089)	1,367,906	1,200,000	3,900,000	(2,532,094)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 960,384	\$ 305,966	\$ 1,266,350	\$ (65,216)	\$ 827,284	\$ 439,066
Balance Beginning of Year	1,278,454	1,650,076	2,928,530	1,905,671	1,905,671	1,022,859
Balance End of Year	<u>\$ 2,238,838</u>	<u>\$ 1,956,042</u>	<u>\$ 4,194,880</u>	<u>\$ 1,840,455</u>	<u>\$ 2,732,955</u>	<u>\$ 1,461,925</u>

See accompanying independent auditor's report.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**NOTES TO OTHER INFORMATION  
BUDGETARY REPORTING**

**JUNE 30, 2013**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,007,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function.

**SUPPLEMENTARY  
INFORMATION**

CITY OF BELLEVUE  
BELLEVUE, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue							Total
	Road Use Tax	Employee Benefits	TIF District	LOT - Street Improvement	Fire Department Gift Fund	Ambulance Gift Fund		
<b>Receipts:</b>								
Property tax	\$ ---	\$ 192,118	\$ ---	\$ ---	\$ ---	\$ ---	\$ 192,118	
Tax increment financing collections	---	---	305,452	---	---	---	305,452	
Other city tax	---	---	---	88,497	---	---	88,497	
Use of money and property	---	293	854	---	447	315	1,909	
Intergovernmental	209,823	---	---	---	---	---	209,823	
Miscellaneous	---	---	---	1,427	34,354	22,108	57,889	
<b>Total Receipts</b>	\$ 209,823	\$ 192,411	\$ 306,306	\$ 89,924	\$ 34,801	\$ 22,423	\$ 855,688	
<b>Disbursements:</b>								
Operating:								
Public safety	\$ ---	\$ ---	\$ ---	\$ ---	\$ 9,701	\$ 7,356	\$ 17,057	
Public works	206,649	---	---	15,187	---	---	221,836	
Community and economic development	---	---	82,118	---	---	---	82,118	
<b>Total Disbursements</b>	\$ 206,649	\$ ---	\$ 82,118	\$ 15,187	\$ 9,701	\$ 7,356	\$ 321,011	
Excess of Receipts Over Disbursements	\$ 3,174	\$ 192,411	\$ 224,188	\$ 74,737	\$ 25,100	\$ 15,067	\$ 534,677	
<b>Other Financing Uses:</b>								
Transfers out	\$ ---	\$ (192,411)	\$ (229,878)	\$ (54,893)	\$ ---	\$ ---	\$ (477,182)	

SCHEDULE "1" (Continued)

CITY OF BELLEVUE  
BELLEVUE, IOWA

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue							Total
	Road Use Tax	Employee Benefits	TIF District	LOT - Street Improvement	Fire Department Gift Fund	Ambulance Gift Fund		
Change in Cash Balances	\$ 3,174	\$ ---	\$ (5,690)	\$ 19,844	\$ 25,100	\$ 15,067	\$ 57,495	
Cash Balances Beginning of Year	38,508	---	109,452	(8,601)	112,444	96,860	348,663	
Cash Balances End of Year	\$ 41,682	\$ ---	\$ 103,762	\$ 11,243	\$ 137,544	\$ 111,927	\$ 406,158	
<b>Cash Basis Fund Balances:</b>								
Restricted for:								
Urban renewal purposes	\$ ---	\$ ---	\$ 103,762	\$ ---	\$ ---	\$ ---	\$ 103,762	
Streets	41,682	---	---	11,243	---	---	52,925	
Ambulance	---	---	---	---	---	111,927	111,927	
Fire department	---	---	---	---	137,544	---	137,544	
Total Cash Basis Fund Balances	\$ 41,682	\$ ---	\$ 103,762	\$ 11,243	\$ 137,544	\$ 111,927	\$ 406,158	

CITY OF BELLEVUE  
 BELLEVUE, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BALANCES - NONMAJOR PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	Storm Water -----	Customer Deposits -----	Total -----
<b>Operating Receipts:</b>			
Charges for service	\$ 75,575	\$ ---	\$ 75,575
Miscellaneous	---	14,201	14,201
	-----	-----	-----
Total Operating Receipts	\$ 75,575	\$ 14,201	\$ 89,776
<b>Operating Disbursements:</b>			
Business type activities	1,973	10,427	12,400
	-----	-----	-----
Excess of Operating Receipts Over Operating Disbursements	\$ 73,602	\$ 3,774	\$ 77,376
	-----	-----	-----
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	(58,455)	---	(58,455)
	-----	-----	-----
Change in Cash Balances	\$ 15,147	\$ 3,774	\$ 18,921
Cash Balances Beginning of Year	---	28,894	28,894
	-----	-----	-----
Cash Balances End of Year	\$ 15,147	\$ 32,668	\$ 47,815
	=====	=====	=====
<b>Cash Basis Fund Balances:</b>			
Unrestricted	\$ 15,147	\$ 32,668	\$ 47,815
	=====	=====	=====

CITY OF BELLEVUE  
BELLEVUE, IOWA

SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds/Notes:									
Street/Water/Sewer Improvements Notes:									
Bankers Trust	September 1, 2006	3.90%-4.30%	1,850,000	825,000	---	195,000	630,000	34,878	---
Bellevue State Bank	November 29, 2009	3.75%	125,000	75,000	---	75,000	---	2,250	---
Fidelity Bank	November 29, 2009	3.75%	125,000	75,000	---	75,000	---	2,250	---
Street Improvement Notes:									
Bellevue State Bank	September 15, 2011	3.24%	425,000	382,500	---	382,500	---	10,789	---
Street/Sidewalk Improvement Note:									
Bellevue State Bank	May 29, 2009	3.95%	350,000	245,000	---	245,000	---	6,294	---
Fidelity Bank	May 29, 2009	3.95%	350,000	245,000	---	245,000	---	6,294	---
Sewer Refunding Bonds:									
Bankers Trust	March 1, 2010	1.00%-2.00%	815,000	300,000	---	145,000	155,000	5,565	---
Storm Sewer Improvements Note:									
Bellevue State Bank	June 1, 2013	2.99%	450,000	450,000	---	450,000	---	11,810	---
Street Improvement/Refunding Bonds:									
Bankers Trust	April 16, 2013	1.25%-1.80%	2,635,000	---	2,635,000	---	2,635,000	---	---
Total General Obligation			\$ 2,597,500	\$ 2,597,500	\$ 2,635,000	\$ 1,812,500	\$ 3,420,000	\$ 80,130	\$ ---

CITY OF BELLEVUE  
BELLEVUE, IOWA

SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Telecommunications Notes:									
Bellevue State Bank	March 8, 2012	3.50%	925,000	\$ 916,096	\$ ---	\$ 24,426	\$ 891,670	\$ 31,146	\$ ---
Fidelity Bank	March 8, 2012	3.50%	925,000	916,096	---	24,426	891,670	31,146	---
Bellevue State Bank	March 8, 2012	3.80%	500,000	495,308	---	12,723	482,585	18,291	---
Fidelity Bank	March 8, 2012	3.80%	500,000	495,308	---	12,723	482,585	18,291	---
Bellevue State Bank	March 8, 2012	3.75%	150,000	142,321	---	23,103	119,218	4,857	---
Fidelity Bank	March 8, 2012	3.75%	150,000	142,321	---	23,103	119,218	4,857	---
Total Revenue Notes				\$ 3,107,450	\$ ---	\$ 120,504	\$ 2,986,946	\$ 108,588	\$ ---
Other Obligations:									
General Fund - Interfund Loan	February 1, 2004	---	\$ 240,886	\$ 24,085	\$ ---	\$ 24,085	\$ ---	\$ ---	\$ ---
Water Fund - Interfund Loan	June 30, 2004	---	400,000	160,000	---	40,000	120,000	---	---
Total Other Obligations				\$ 184,085	\$ ---	\$ 64,085	\$ 120,000	\$ ---	\$ ---

CITY OF BELLEVUE  
BELLEVUE, IOWA

BOND AND NOTE MATURITIES  
JUNE 30, 2013

General Obligation Notes

Year Ending June 30	Street, Water, Sewer		Sewer Refunding		Street/Refunding		Total
	Issued September 1, 2006		Issued March 1, 2010		Issued April 16, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	4.200%	\$ 200,000	2.00%	\$ 155,000	1.25%	\$ 220,000	\$ 575,000
2015	4.250%	210,000	---	---	1.25%	440,000	650,000
2016	4.300%	220,000	---	---	1.25%	385,000	605,000
2017	---	---	---	---	1.25%	375,000	375,000
2018	---	---	---	---	1.25%	370,000	370,000
2019	---	---	---	---	1.25%	375,000	375,000
2020	---	---	---	---	1.45%	305,000	305,000
2021	---	---	---	---	1.65%	130,000	130,000
2022	---	---	---	---	1.80%	35,000	35,000
Total		\$ 630,000		\$ 155,000		\$ 2,635,000	\$ 3,420,000

**SCHEDULE "4" (Continued)**

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES  
JUNE 30, 2013**

Year Ending June 30	Revenue Notes							
	Telecommunications		Telecommunications		Telecommunications		Telecommunications	
	Issued March 8, 2012		Issued March 8, 2012		Issued March 8, 2012		Issued March 8, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.50%	\$ 24,645	3.50%	\$ 24,645	3.80%	\$ 12,832	3.80%	\$ 12,832
2015	3.50%	25,522	3.50%	25,522	3.80%	13,328	3.80%	13,328
2016	3.50%	26,430	3.50%	26,430	3.80%	13,844	3.80%	13,844
2017	3.50%	27,370	3.50%	27,370	3.80%	14,379	3.80%	14,379
2018	3.50%	28,343	3.50%	28,343	3.80%	14,935	3.80%	14,935
2019	3.50%	29,351	3.50%	29,351	3.80%	15,512	3.80%	15,512
2020	3.50%	30,395	3.50%	30,395	3.80%	16,112	3.80%	16,112
2021	3.50%	31,476	3.50%	31,476	3.80%	16,735	3.80%	16,735
2022	3.50%	32,596	3.50%	32,596	3.80%	17,383	3.80%	17,383
2023	3.50%	33,755	3.50%	33,755	3.80%	18,055	3.80%	18,055
2024	3.50%	34,956	3.50%	34,956	3.80%	18,753	3.80%	18,753
2025	3.50%	36,199	3.50%	36,199	3.80%	19,478	3.80%	19,478
2026	3.50%	37,486	3.50%	37,486	3.80%	20,231	3.80%	20,231
2027	3.50%	38,820	3.50%	38,820	3.80%	21,013	3.80%	21,013
2028	3.50%	40,200	3.50%	40,200	3.80%	21,826	3.80%	21,826
2029	3.50%	41,630	3.50%	41,630	3.80%	22,670	3.80%	22,670
2030	3.50%	43,111	3.50%	43,111	3.80%	23,547	3.80%	23,547
2031	3.50%	44,644	3.50%	44,644	3.80%	24,457	3.80%	24,457
2032	3.50%	46,232	3.50%	46,232	3.80%	25,403	3.80%	25,403
2033	3.50%	47,876	3.50%	47,876	3.80%	26,385	3.80%	26,385
2034	3.50%	49,579	3.50%	49,579	3.80%	27,406	3.80%	27,406
2035	3.50%	51,343	3.50%	51,343	3.80%	28,465	3.80%	28,465
2036	3.50%	53,169	3.50%	53,169	3.80%	29,566	3.80%	29,566
2037	3.50%	36,542	3.50%	36,542	3.80%	20,270	3.80%	20,270
Total		\$ 891,670		\$ 891,670		\$ 482,585		\$ 482,585

See accompanying independent auditor's report.

SCHEDULE "4" (Continued)

CITY OF BELLEVUE  
BELLEVUE, IOWA

BOND AND NOTE MATURITIES  
JUNE 30, 2013

Year Ending June 30	Revenue Notes				Total	Other Obligations	
	Telecommunications		Telecommunications			Water	
	Issued March 8, 2012		Issued March 8, 2012				
	Interest Rates	Amount	Interest Rates	Amount			
		Interest Rates	Amount	Interest Rates	Amount		
2014	3.75%	\$ 23,815	3.75%	\$ 23,815	\$ 122,584	---	\$ 40,000
2015	3.75%	24,724	3.75%	24,724	127,148	---	40,000
2016	3.75%	25,667	3.75%	25,667	131,882	---	40,000
2017	3.75%	26,646	3.75%	26,646	136,790	---	---
2018	3.75%	18,366	3.75%	18,366	123,288	---	---
2019	---	---	---	---	89,726	---	---
2020	---	---	---	---	93,014	---	---
2021	---	---	---	---	96,422	---	---
2022	---	---	---	---	99,958	---	---
2023	---	---	---	---	103,620	---	---
2024	---	---	---	---	107,418	---	---
2025	---	---	---	---	111,354	---	---
2026	---	---	---	---	115,434	---	---
2027	---	---	---	---	119,666	---	---
2028	---	---	---	---	124,052	---	---
2029	---	---	---	---	128,600	---	---
2030	---	---	---	---	133,316	---	---
2031	---	---	---	---	138,202	---	---
2032	---	---	---	---	143,270	---	---
2033	---	---	---	---	148,522	---	---
2034	---	---	---	---	153,970	---	---
2035	---	---	---	---	159,616	---	---
2036	---	---	---	---	165,470	---	---
2037	---	---	---	---	113,624	---	---
Total		\$ 119,218		\$ 119,218	\$2,986,946		\$ 120,000

See accompanying independent auditor's report.

CITY OF BELLEUE  
BELLEVUE, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Receipts:</b>										
Property tax	\$ 858,702	\$ 830,566	\$ 837,102	\$ 722,589	\$ 667,720	\$ 644,719	\$ 642,154	\$ 546,571	\$ 498,867	\$ 487,876
Tax increment financing	305,452	250,105	286,488	401,214	297,412	293,229	51,096	76,502	66,993	67,051
Other city tax	220,680	212,676	185,434	171,326	170,662	169,377	168,422	144,020	141,572	164,223
Licenses and permits	16,882	18,610	13,719	14,698	14,593	13,420	13,421	11,327	9,760	4,803
Use of money and property	13,046	9,847	12,344	9,664	11,965	23,776	48,022	36,768	19,623	66,214
Intergovernmental	331,031	301,156	526,356	482,684	305,970	267,203	256,036	300,198	430,717	262,901
Charges for services	35,049	43,844	34,254	33,159	30,433	35,237	35,284	37,140	27,336	23,310
Miscellaneous	93,499	80,938	432,125	576,039	127,373	130,960	62,297	91,906	95,226	147,064
<b>Total</b>	<b>\$ 1,874,341</b>	<b>\$ 1,747,742</b>	<b>\$ 2,327,822</b>	<b>\$ 2,411,373</b>	<b>\$ 1,626,128</b>	<b>\$ 1,577,921</b>	<b>\$ 1,276,732</b>	<b>\$ 1,244,432</b>	<b>\$ 1,290,094</b>	<b>\$ 1,223,442</b>
<b>Disbursements:</b>										
Operating:										
Public safety	\$ 495,718	\$ 622,602	\$ 690,612	\$ 434,801	\$ 590,501	\$ 406,646	\$ 401,721	\$ 383,556	\$ 358,504	\$ 374,221
Public works	317,093	403,312	429,592	359,853	476,719	419,147	2,048,764	576,783	336,235	292,279
Culture and recreation	286,019	280,469	272,426	238,277	297,908	240,738	274,190	273,144	373,284	552,543
Community and economic development	89,670	26,558	50,640	76,579	70,805	7,053	6,987	10,055	12,630	9,259
General government	517,656	431,432	347,785	346,116	327,883	327,948	358,703	397,234	259,011	259,108
Debt service	677,675	617,641	690,358	656,952	876,026	456,016	440,669	200,076	182,654	199,858
Capital projects	448,121	378,484	36,649	697,932	352,917	431,850	---	---	---	50,520
<b>Total</b>	<b>\$ 2,831,952</b>	<b>\$ 2,760,498</b>	<b>\$ 2,518,062</b>	<b>\$ 2,810,510</b>	<b>\$ 2,992,759</b>	<b>\$ 2,289,398</b>	<b>\$ 3,531,034</b>	<b>\$ 1,840,848</b>	<b>\$ 1,522,318</b>	<b>\$ 1,737,788</b>

See accompanying independent auditor's report.

# **O'CONNOR, BROOKS & CO., P.C.**

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## **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 the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report included a disclaimer of opinion on the other information.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the 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

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combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-C-13, I-D-13, and I-E-13 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of non-compliance that are required to be reported under Government Auditing Standards which is noted in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13. In addition, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Bellevue's Responses to Findings

The City of Bellevue's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 result of that testing and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bellevue during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
February 10, 2014

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

I-A-13 Telecommunication Services – The City did not consistently allocate the wages of City employees performing services for the telecommunication municipal utility as required by Chapter 388.10 of the Code of Iowa. No wages for service calls were allocated to the Telecommunications Fund during the year resulting in an understatement of telecommunication service expenses of an unknown amount.

Recommendation – All wages of employees performing telecommunications work should be allocated to the Telecommunications Fund.

Response – This will be done.

Conclusion – Response accepted.

I-B-13 Telecommunication Services – By having a deficit balance in the Telecommunications Fund, the fund is in effect borrowing from the City's other funds including the General Fund which is not allowed according to Chapter 388.10 of the Code of Iowa.

Recommendation – The City should consider borrowing funds from outside sources to eliminate the deficit.

Response – The City will investigate that option at the earliest possible convenience. The City is also raising rates and looking at ways to reduce expenses to eliminate the deficit. These efforts should resolve the problem.

Conclusion – Response accepted.

**MATERIAL WEAKNESSES:**

I-C-13 Segregation of Duties – One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks. The result is that intentional or unintentional errors or unauthorized transactions could occur and not be detected in a timely manner.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part I: Findings Related to the Financial Statements: (Continued)**

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should be aware of the potential for problems resulting from a lack of segregation of duties and should consistently look for ways to improve the City's internal controls. We recommend the bank statements continue to be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response – We believe we are doing everything possible to segregate duties. The City Administrator is reviewing bank statements first.

Conclusion – Response accepted.

- I-D-13 Vendors – The City Clerk is able to add new vendors to the City's records prior to receiving approval of the City Council or City Administrator. This could result in unauthorized transactions occurring without being detected in a timely manner.

Recommendation – The City Administrator should continue to approve all new vendors that the City does business with. Where practical, the City Council should also specifically approve these on a monthly basis.

Response – We have approved a policy under which the City Administrator will authorize all new vendors. In addition, the City Council reviews new vendors on a monthly basis.

Conclusion – Response accepted.

- I-E-13 Adjusting Journal Entries – Material adjustments were made to represent a fair presentation of the City's financial statements at June 30, 2013. Adjustments included reclassifying disbursements from various utilities to the telecommunications fund, reclassifying loan proceeds and related disbursements; and reclassifying the storm water fund from a special revenue fund to an enterprise fund. Misstatements in the financial statements could impair management and the City Council's ability to make informed decisions.

Recommendation – Management should review receipts and disbursements activity to assure that all financial information is recorded properly and reflected in the proper fund.

Response – This will be done.

Conclusion – Response accepted.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part II: Other Findings Related to Statutory Reporting:**

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013, exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-13 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marie Zeimet, Administrative Staff, Owner of Zeimet's Garage, Inc.	Repairs & Maintenance	\$ 855

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the employees do not appear to represent conflicts of interest since the transactions with each individual were less than \$2,500 during the fiscal year.

II-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

**CITY OF BELLEVUE  
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Part II: Other Findings Related to Statutory Reporting: (Continued)**

II-G-13 Revenue Notes – The City established the appropriate account required by the telecommunications revenue note resolution. Even though required transfers were made during the year to the account, the fund balance was insufficient to meet the sinking fund account requirements of the telecommunication revenue resolution, so the City has a net earnings violation.

Recommendation – We recommend that the City review the status of the Telecommunication Fund and investigate ways to improve the cash position to comply with the note resolution requirement regarding fund balance.

Response – The City staff will discuss with the Council ways to improve the cash position so the City complies with the bond resolution.

Conclusion – Response accepted.

II-H-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-13 Financial Condition – The Sewer Rental Fund, Sanitation Fund, and the Telecommunications Fund had deficit balances at June 30, 2013, in the amount of \$33,257, \$8,600, and \$100,300, respectively.

Recommendation – The City should investigate alternatives to eliminate the deficits in these funds in order to return the funds to a sound financial position.

Response – The Sewer Rental Fund paid for the Park Street Improvements which resulted in a negative balance. Normal operating revenue should return the fund to a positive balance in the near future. The Telecommunications operation will continue to be analyzed on both the expense and revenue side to provide for a return to profitability. The Sanitation Fund will have a rate increase in the near future to restore a positive balance.

Conclusion – Response accepted.

II-J-13 Urban Renewal Annual Report – The urban renewal report was not completed and certified to the Iowa Department of Management on or before December 1.

Recommendation – The City should file the urban renewal annual report timely.

Response – This will be done.

Conclusion - Response accepted.