



Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

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CITY OF BELLEFONTAINE
LOGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311

To the Members of 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 Bellefontaine, Logan County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Department funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Dave Yost
Auditor of State
Columbus, Ohio

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

This discussion and analysis of the City of Bellefontaine's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$65.2 million (net position). Of this amount, \$8.3 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by approximately \$2.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$6.7 million, an increase of \$611,572, or 10 percent in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.5 million, or 38 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of Bellefontaine as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in this position. This change in net position is important because it tells the reader whether the financial position of the City, as a whole, has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as the condition of the City's capital assets will also need to be evaluated.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

In these two statements, the City is divided into the following two types of activities:

- Governmental Activities – Most of the City's services are reported here including police, fire, administration and all departments, except utilities.
- Business-Type Activities – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, refuse collection, and airport administration.

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City, our major funds are the General, Capital Improvement, Reconstruction Improvement, Street Department, Water, Sewer, Airport, and Garbage Funds.

Governmental Funds

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

The City's governmental activities are accounted for in 42 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Capital Improvement, Reconstruction Improvement, and Street Department Fund, which are considered to be the City's major governmental funds. Data from the other 33 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund and Street Department Fund. A budgetary comparison statement has been provided for the General Fund and Street Department Fund to demonstrate compliance with this budget.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, the proprietary fund statements will essentially match the business-type activities statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011.

**TABLE 1
Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 8,494,627	\$ 8,638,632	\$ 6,366,265	\$ 6,217,537	\$ 14,860,892	\$ 14,856,169
Capital assets	24,184,942	25,112,351	35,165,567	35,561,320	59,350,509	60,673,671
Total Assets	32,679,569	33,750,983	41,531,832	41,778,857	74,211,401	75,529,840
Current liabilities	746,276	550,555	722,353	493,411	1,468,629	1,043,966
Long-term liabilities	2,255,601	2,167,838	7,350,298	6,556,732	9,605,899	8,724,570
Total Liabilities	3,001,877	2,718,393	8,072,651	7,050,143	11,074,528	9,768,536
Deferred Inflows of Resources	662,165	595,866	-	-	662,165	595,866
Net Position:						
Net Investment in capital assets	23,507,320	24,239,925	30,132,121	30,694,694	53,639,441	54,934,619
Restricted	1,446,615	2,000,038	-	-	1,446,615	2,000,038
Unrestricted	4,061,592	4,196,761	3,327,060	4,034,020	7,388,652	8,230,781
Total Net Position	\$ 29,015,527	\$ 30,436,724	\$ 33,459,181	\$ 34,728,714	\$ 62,474,708	\$ 65,165,438

By far the largest portion of the City's net position (84 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive net position balances in each of its governmental and business-type activities net position classifications. Unrestricted net position of approximately \$4.2 million and \$4.0 million in the governmental and business-type activities, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The Government Activities current liabilities decreased by \$195,721, or 26%, primarily due to the timing of the City's disbursements (accounts payable) .

The Business-type current liabilities decreased by \$228,942, or 32%, primarily due to the timing of the City's disbursements (accounts payable) and wrapping up projects outstanding at December 31, 2011 (retainage payable).

Table 2 shows the changes in net position for the year ended December 31, 2012 and 2011.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Program revenues:						
Charges for services	\$ 846,238	\$ 1,059,885	\$ 6,019,901	\$ 6,037,637	\$ 6,866,139	\$ 7,097,522
Grants and contributions	1,463,557	2,805,035	44,450	3,500	1,508,007	2,808,535
General revenues:						
Property taxes	585,841	579,267	-	-	585,841	579,267
Income taxes	4,903,345	5,293,008	-	-	4,903,345	5,293,008
Other local taxes	49,235	53,736	-	-	49,235	53,736
Unrestricted grants	986,991	354,297	-	-	986,991	354,297
Investment earnings	44,483	29,526	5,773	3,037	50,256	32,563
Other	254,052	376,353	86,510	122,454	340,562	498,807
Total revenues	9,133,742	10,551,107	6,156,634	6,166,628	15,290,376	16,717,735
Expenses:						
General government	2,168,778	2,048,409	-	-	2,168,778	2,048,409
Public safety	4,105,679	3,939,838	-	-	4,105,679	3,939,838
Public works	381,769	573,031	-	-	381,769	573,031
Health	214,457	158,890	-	-	214,457	158,890
Conservation and recreation	581,884	574,576	-	-	581,884	574,576
Economic development	719,075	356,260	-	-	719,075	356,260
Transportation	1,314,789	1,161,863	-	-	1,314,789	1,161,863
Interest on long-term debt	39,134	51,043	-	-	39,134	51,043
Water	-	-	1,639,512	1,500,764	1,639,512	1,500,764
Sewer	-	-	1,938,822	1,934,441	1,938,822	1,934,441
Airport	-	-	329,593	308,254	329,593	308,254
Garbage	-	-	749,517	806,813	749,517	806,813
Parking Meter	-	-	13,648	13,600	13,648	13,600
Ambulance	-	-	610,304	598,262	610,304	598,262
Other	-	-	1,556	961	1,556	961
Total expenses	9,525,565	8,863,910	5,282,952	5,163,095	14,808,517	14,027,005
Increase/Decrease in net position						
before transfers	(391,823)	1,687,197	873,682	1,003,533	481,859	2,690,730
Transfers	(231,000)	(266,000)	231,000	266,000	-	-
Change in net position	\$ (622,823)	\$ 1,421,197	\$ 1,104,682	\$ 1,269,533	\$ 481,859	\$ 2,690,730
Net position, beginning	29,638,350	29,015,527	32,354,499	33,459,181	61,992,849	62,474,708
Net position, ending	\$ 29,015,527	\$ 30,436,724	\$ 33,459,181	\$ 34,728,714	\$ 62,474,708	\$ 65,165,438

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Governmental Activities

Property and income taxes and grants are the biggest contributors of revenue for the City's governmental activities, representing 86 percent of total governmental revenues. The City's income tax revenues constitute 51 percent of total governmental revenues. Public safety is the most significant expense of the City, accounting for 45 percent of total governmental expenses. The City's general government, and transportation activities are also significant, constituting 24 percent 13 percent of total governmental expenses, respectively.

During the fiscal year, net position of the City's governmental activities increased by approximately \$1.4 million or 5 percent, in comparison with the previous year. This increase is the result of the following:

- Charges for services increased \$213,647, or 25%, primarily due to increased revenue from the City's municipal court during 2012.
- Contributions and grants increased approximately \$1.3 million, or 92%, primarily due to grants received for the City's road improvement and historical society projects.
- Unrestricted grants decreased \$632,694, or 64%, due to the City receiving a large estate tax settlement in 2011 and a decrease in state funding.
- Expenses decreased \$661,655, or 7 percent primarily a result of general decreases in the city's expenses.

Business-type Activities

The City's primary business-type activities are water distribution, sewage collection and treatment, airport administration, and refuse collection. The City charges customers for providing these services.

During the fiscal year, net position of the City's business-type activities increased by approximately \$1.3 million. This increase is primarily the result of the \$875,883 increase in net position in the sewer fund. The net position increase in the sewer fund was consistent with the prior year and represents the amount by which customer charges exceed the cost of sewage collection and treatment operations.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Total versus Net Cost of Services

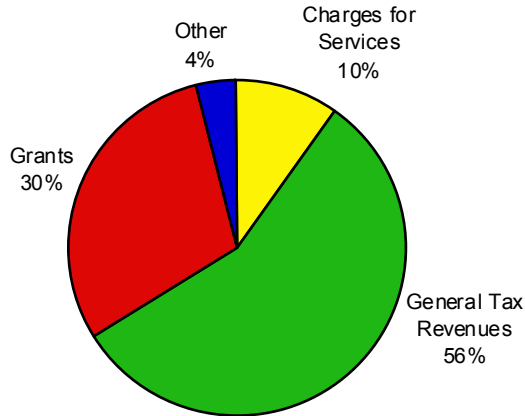
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted grants.

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Governmental Activities:				
General government	\$ (2,168,778)	\$ (2,048,409)	\$ (1,511,747)	\$ (1,231,470)
Public safety	(4,105,679)	(3,939,838)	(3,978,026)	(3,846,835)
Public works	(381,769)	(573,031)	(381,769)	(389,290)
Health	(214,457)	(158,890)	(155,977)	(90,128)
Conservation and recreation	(581,884)	(574,576)	(439,843)	(406,327)
Economic development	(719,075)	(356,260)	(99,094)	583,741
Transportation	(1,314,789)	(1,161,863)	(610,180)	432,362
Interest on long-term debt	(39,134)	(51,043)	(39,134)	(51,043)
Total Governmental Activities	(9,525,565)	(8,863,910)	(7,215,770)	(4,998,990)
Business-Type Activities:				
Water	(1,639,512)	(1,500,764)	167,287	299,361
Sewer	(1,938,822)	(1,934,441)	805,553	845,615
Airport	(329,593)	(308,254)	(247,864)	(228,004)
Garbage	(749,517)	(806,813)	123,586	66,958
Parking Meter	(13,648)	(13,600)	(5,429)	(7,447)
Ambulance	(610,304)	(598,262)	(64,628)	(97,480)
Other	(1,556)	(961)	2,894	(961)
Total Business-Type Activities	(5,282,952)	(5,163,095)	781,399	878,042
Grand Total	\$ (14,808,517)	\$ (14,027,005)	\$ (6,434,371)	\$ (4,120,948)

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 56 percent of total revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for approximately \$5.0 million of support.

THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$6.7 million, a \$611,572 increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2012 and 2011.

	<u>Fund Balance</u> <u>12/31/2011</u>	<u>Fund Balance</u> <u>12/31/2012</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,493,775	\$ 2,781,737	\$ 287,962
Capital improvements	2,531,958	2,508,760	(23,198)
Reconstruction Improvement	(466,161)	(550,554)	(84,393)
Street Department	155,845	103,303	(52,542)
Other Governmental	1,414,729	1,898,472	483,743
Total	<u>\$ 6,130,146</u>	<u>\$ 6,741,718</u>	<u>\$ 611,572</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$2.5 million, or 38 percent of total general fund expenditures. The fund balance of the City's general fund increased \$287,962, or less than 12 percent, during the current fiscal year. This increase is primarily the result of income tax revenue, which totaled \$5.4 million during the fiscal year.

Capital Improvements Fund

The Capital Improvements Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement funds' fund balance decreased \$23,198 during the fiscal year. This decrease represents the amount in which debt principal payments and capital outlay exceeded interest earnings and grants during the fiscal year.

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement funds' fund balance decreased \$84,393 during the fiscal year. The decrease is a result of capital outlay expenditures exceeding grant revenues and loan proceeds in the fund.

Street Department Fund

The Street Department Fund accounts for the accumulation of financial resources to be used for the construction and maintenance of city streets. The street department funds' fund balance decreased \$52,542 during the fiscal year. The decrease is a result of capital outlay and transportation expenditures exceeding intergovernmental revenues and transfers in the fund.

Other Governmental Funds

The fund balance of the City's Other Governmental Funds increased \$483,743, or 34% in comparison with the prior year. The increase is primarily the result of increased grant revenues associated with the historical society project and decreased public safety, economic development, and capital outlay expenditures during the fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position in the Water Fund at the end of the year amounted to \$561,631. Total net position increased \$361,262 during the fiscal year. This increase primarily consists of operating income of \$406,174 offset by interest income and debt interest and fiscal charges of \$44,912.

Unrestricted net position in the Sewer fund at the end of the year amounted to approximately \$2.2 million. Total net position increased \$875,883, or 7 percent, from the previous year. This increase primarily consists of operating income of \$941,661 and non operating net expenses of \$65,778.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Unrestricted net position in the Airport Fund at the end of the year amounted to \$77,171. Total net position increased \$38,394 during the fiscal year. For the most part, this increase represents the amount in which transfers in from the general fund, totaling \$260,000, exceeded the funds' operating loss of \$154,874 and debt interest and fiscal charges totaling \$66,841.

Unrestricted net position in the Garbage Fund at the end of the year amounted to \$544,390. Total net position increased \$93,273, or 17 percent, during the current fiscal year. This increase represents the operating income for the fiscal year.

Unrestricted net position in the Nonmajor Enterprise Funds at the end of the year amounted to \$639,703. Total net position decreased \$99,279, or 8 percent, during the fiscal year. By far, the most significant nonmajor enterprise fund is the ambulance fund. Total net position of the ambulance fund decreased \$97,255, or 10 percent, during the fiscal year as a result of operations.

General Fund Budgetary Information

The City's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The final amended revenue estimate was \$120,239 more than the original estimate. The final appropriations exceeded the original appropriation resolution by \$129,283, or 2 percent.

The City's final amended revenue estimate exceeded the actual revenues by \$23,560. The final amended appropriations exceeded actual expenditures and other financing uses by \$542,740, or 7%. This is primarily the result of expenditure reimbursements received from the police and fire levy fund for police and fire pensions (\$200,000) and from the water and sewer funds for engineering salaries (\$200,000).

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2012 totals \$25.1 million (net of accumulated depreciation), an increase of \$927,409 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. This increase primarily consists of current year acquisitions of approximately \$1.8 million offset by current year depreciation and net deletions of \$880,446.

The City's investment in capital assets for business-type activities as of December 31, 2012 totals \$35.6 million (net of accumulated depreciation), an increase of \$395,753 in comparison with the prior year. This increase primarily consists of current year acquisitions of \$1.1 million offset by current year depreciation and net deletions of \$743,082.

Detailed information regarding capital asset activity is included in the Note 6 to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Debt

At the end of the current fiscal year, the City had total debt outstanding of \$7.3 million. Of this amount, \$6.6 million represents bonds backed by the full faith and credit of the City and the remaining \$715,426 represents interest free loans.

Detailed information regarding long-term debt is included in Note 7 to the basic financial statements.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact Jack Reser, City Auditor, 135 North Detroit Street, Bellefontaine, Ohio 43311-1474.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 6,206,412	\$ 3,854,867	\$ 10,061,279
Investments	1,085,900	-	1,085,900
Receivables:			
Taxes	1,549,826	-	1,549,826
Accounts	15,777	1,465,612	1,481,389
Intergovernmental	390,931	-	390,931
Internal balances	(800,000)	800,000	-
Materials and supplies inventory	142,799	90,993	233,792
Prepaid items	37,037	6,065	43,102
Notes receivable	9,950	-	9,950
Nondepreciable capital assets	6,465,156	4,483,045	10,948,201
Depreciable capital assets, net	18,647,195	31,078,275	49,725,470
Total assets	33,750,983	41,778,857	75,529,840
Liabilities			
Accounts payable	82,159	133,195	215,354
Accrued wages and benefits	179,864	61,102	240,966
Intergovernmental payable	272,461	71,588	344,049
Interest payable	2,404	15,017	17,421
Retainage payable	13,667	43,181	56,848
Refundable deposits	-	169,328	169,328
Long-term liabilities			
Due within one year	555,275	906,216	1,461,491
Due in more than one year	1,612,563	5,650,516	7,263,079
Total liabilities	2,718,393	7,050,143	9,768,536
Deferred Inflows of Resources:			
Unearned revenue	595,866	-	595,866
Total deferred inflows of resources	595,866	-	595,866
Net Position			
Net investment in capital assets	24,239,925	30,694,694	54,934,619
Restricted for:			
Capital projects	59,260	-	59,260
Debt service	231,961	-	231,961
Street maintenance and repair	280,083	-	280,083
Public safety	251,230	-	251,230
Economic development	581,893	-	581,893
Health	426,052	-	426,052
Judicial	169,559	-	169,559
Unrestricted	4,196,761	4,034,020	8,230,781
Total net position	\$ 30,436,724	\$ 34,728,714	\$ 65,165,438

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,048,409	\$ 746,961	\$ 69,978	\$ -
Public safety	3,939,838	66,103	26,900	-
Public works	573,031	-	-	183,741
Health	158,890	68,762	-	-
Conservation and recreation	574,576	168,249	-	-
Economic development	356,260	2,508	937,493	-
Transportation	1,161,863	7,302	508,754	1,078,169
Interest on long-term debt	51,043	-	-	-
Total governmental activities	8,863,910	1,059,885	1,543,125	1,261,910
Business-type Activities:				
Water	1,500,764	1,800,125	-	-
Sewer	1,934,441	2,780,056	-	-
Airport	308,254	80,250	-	-
Garbage	806,813	873,771	-	-
Parking meter	13,600	6,153	-	-
Ambulance	598,262	497,282	-	3,500
Other	961	-	-	-
Total business-type activities	5,163,095	6,037,637	-	3,500
Total government	\$ 14,027,005	\$ 7,097,522	\$ 1,543,125	\$ 1,265,410

General Revenues:

- Property taxes
- Income taxes
- Other local taxes
- Unrestricted grants and entitlements
- Payments in lieu of taxes
- Unrestricted investment earnings
- Other unrestricted revenues
- Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,231,470)	\$ -	\$ (1,231,470)
(3,846,835)	-	(3,846,835)
(389,290)	-	(389,290)
(90,128)	-	(90,128)
(406,327)	-	(406,327)
583,741	-	583,741
432,362	-	432,362
(51,043)	-	(51,043)
<u>(4,998,990)</u>	<u>-</u>	<u>(4,998,990)</u>
-	299,361	299,361
-	845,615	845,615
-	(228,004)	(228,004)
-	66,958	66,958
-	(7,447)	(7,447)
-	(97,480)	(97,480)
-	(961)	(961)
<u>-</u>	<u>878,042</u>	<u>878,042</u>
<u>\$ (4,998,990)</u>	<u>\$ 878,042</u>	<u>\$ (4,120,948)</u>
579,267	-	579,267
5,293,008	-	5,293,008
53,736	-	53,736
354,297	-	354,297
146,362	-	146,362
29,526	3,037	32,563
229,991	122,454	352,445
(266,000)	266,000	-
<u>6,420,187</u>	<u>391,491</u>	<u>6,811,678</u>
1,421,197	1,269,533	2,690,730
29,015,527	33,459,181	62,474,708
<u>\$ 30,436,724</u>	<u>\$ 34,728,714</u>	<u>\$ 65,165,438</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2012

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Assets:				
Pooled cash and cash equivalents	\$ 2,551,710	\$ 1,256,760	\$ 267,620	\$ 177,579
Investments	-	1,000,000	-	-
Receivables:				
Taxes	1,420,473	-	-	-
Accounts	-	-	-	-
Intergovernmental	134,742	-	-	236,959
Prepaid items	37,037	-	-	-
Materials and supplies inventory	-	-	-	142,799
Loan receivable	-	-	-	-
Advances to other funds	-	252,000	-	-
Total assets	\$ 4,143,962	\$ 2,508,760	\$ 267,620	\$ 557,337
Liabilities:				
Accounts payable	\$ 45,188	\$ -	\$ 4,507	\$ 18,585
Accrued wages and benefits	162,125	-	-	14,834
Intergovernmental payable	258,344	-	-	10,642
Retainage payable	-	-	13,667	-
Advances from other funds	-	-	800,000	252,000
Total liabilities	465,657	-	818,174	296,061
Deferred Inflows of Resources:				
Unavailable revenue	460,193	-	-	157,973
Unearned revenue	436,375	-	-	-
Total deferred inflows of resources	896,568	-	-	157,973
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	142,799
Prepaid items	37,037	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Street maintenance and repair	-	-	-	-
Public safety	-	-	-	-
Economic development	-	-	-	-
Health	-	-	-	-
Judicial	-	-	-	-
Assigned for:				
Future appropriations	19,429	-	-	-
Conservation and recreation	64,988	-	-	-
Capital projects	-	2,508,760	-	-
General government	52,863	-	-	-
Public safety	57,244	-	-	-
Public works	216	-	-	-
Transportation	25,306	-	-	-
Unassigned	2,524,654	-	(550,554)	(39,496)
Total fund balances	2,781,737	2,508,760	(550,554)	103,303
Total liabilities, deferred inflows, and fund balances	\$ 4,143,962	\$ 2,508,760	\$ 267,620	\$ 557,337

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,849,510	\$ 6,103,179
85,900	1,085,900
129,353	1,549,826
15,777	15,777
19,230	390,931
-	37,037
-	142,799
9,950	9,950
-	252,000
<u>\$ 2,109,720</u>	<u>\$ 9,587,399</u>
\$ 13,524	\$ 81,804
2,905	179,864
3,475	272,461
-	13,667
-	1,052,000
<u>19,904</u>	<u>1,599,796</u>
31,853	650,019
159,491	595,866
<u>191,344</u>	<u>1,245,885</u>
-	142,799
-	37,037
2,566	2,566
239,843	239,843
10,349	10,349
245,813	245,813
581,893	581,893
419,987	419,987
225,127	225,127
-	19,429
4,384	69,372
-	2,508,760
-	52,863
-	57,244
-	216
-	25,306
168,510	2,103,114
<u>1,898,472</u>	<u>6,741,718</u>
<u>\$ 2,109,720</u>	<u>\$ 9,587,399</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total Governmental Fund Balances \$ 6,741,718

*Amounts reported for governmental activities in the
statement of net position are different because:*

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 25,112,351

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.

Delinquent property taxes receivable	53,937
Income taxes receivable	318,491
Accounts receivable	6,065
Intergovernmental receivable	271,526

Governmental funds report the effect of premiums, discounts,
and similar items when debt is first issued, whereas these amounts
are deferred and amortized in the statement of net position.

Unamortized premium on bonds	(12,188)
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Internal service funds are used by management to charge the costs of
health care to individual funds. The assets and liabilities of the
internal service funds are included in governmental activities in the
statement of net position. 102,878

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

Compensated absences payable	(1,113,628)
General obligation debt	(1,042,022)
Accrued interest payable	(2,404)

Net Position of Governmental Activities \$ 30,436,724

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Revenues:				
Property taxes	\$ 456,887	\$ -	\$ -	\$ -
Income taxes	5,356,198	-	-	-
Other local taxes	25,000	-	-	-
Charges for services	158,627	-	-	-
Licenses, permits and fees	135,516	-	-	-
Fines and forfeitures	622,597	-	-	-
Intergovernmental	398,560	3,490	1,074,679	495,141
Special assessments	-	-	-	-
Interest	24,019	3,312	-	-
Donations and contributions	5	-	-	-
Refunds and reimbursements	84,639	-	-	-
Other	59,843	-	-	7,302
Total revenues	<u>7,321,891</u>	<u>6,802</u>	<u>1,074,679</u>	<u>502,443</u>
Expenditures:				
General government:				
Legislative and executive	1,343,794	-	-	-
Judicial	529,019	-	-	-
Public safety	3,582,776	-	-	-
Public works	149,155	-	-	-
Health	101,969	-	-	-
Conservation and recreation	545,387	-	-	-
Economic development	39,146	-	-	-
Transportation	259,350	-	-	508,984
Capital outlay	42,948	-	1,244,517	131,001
Debt service:				
Principal retirement	30,243	30,000	-	-
Interest and fiscal charges	16,847	-	-	-
Total expenditures	<u>6,640,634</u>	<u>30,000</u>	<u>1,244,517</u>	<u>639,985</u>
Excess (Deficiency) of revenues over (under) expenditures	681,257	(23,198)	(169,838)	(137,542)
Other financing sources (uses):				
Proceeds from loans	-	-	85,445	-
Transfers in	-	-	-	85,000
Transfers out	(393,295)	-	-	-
Total other financing sources (uses)	<u>(393,295)</u>	<u>-</u>	<u>85,445</u>	<u>85,000</u>
Net Change in fund balances	287,962	(23,198)	(84,393)	(52,542)
Fund balance at beginning of year	2,493,775	2,531,958	(466,161)	155,845
Fund balance at end of year	<u>\$ 2,781,737</u>	<u>\$ 2,508,760</u>	<u>\$ (550,554)</u>	<u>\$ 103,303</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 267,266	\$ 724,153
-	5,356,198
28,736	53,736
38,569	197,196
31,162	166,678
122,847	745,444
1,244,650	3,216,520
11,970	11,970
2,195	29,526
33,525	33,530
-	84,639
3,634	70,779
<u>1,784,554</u>	<u>10,690,369</u>
735	1,344,529
124,462	653,481
238,039	3,820,815
183,741	332,896
51,898	153,867
-	545,387
438,878	478,024
27,521	795,855
175,052	1,593,518
85,000	145,243
17,780	34,627
<u>1,343,106</u>	<u>9,898,242</u>
441,448	792,127
-	85,445
42,295	127,295
-	(393,295)
<u>42,295</u>	<u>(180,555)</u>
483,743	611,572
1,414,729	6,130,146
<u>\$ 1,898,472</u>	<u>\$ 6,741,718</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 611,572
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays	1,807,855
Depreciation	(877,824)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.	(2,622)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	1,476
Income taxes	(63,190)
Charges for services	(360)
Intergovernmental revenues	(57,188)
Special assessments	(20,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities.	145,243
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Proceeds from notes	(85,445)
Expense of bond issuance costs	(21,860)
Amortization of premium on bonds	4,962
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.	4,059
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated absences	(25,963)
Accrued interest	482
Change in Net Position of Governmental Activities	\$ 1,421,197

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 456,500	\$ 456,500	\$ 454,578	\$ (1,922)
Income taxes	4,975,000	4,975,000	5,269,335	294,335
Other local taxes	25,000	25,000	25,000	-
Charges for services	32,000	32,000	36,768	4,768
Licenses, permits and fees	61,000	61,000	105,613	44,613
Fines and forfeitures	506,000	626,239	661,138	34,899
Intergovernmental	392,900	392,900	420,748	27,848
Interest	50,000	50,000	24,012	(25,988)
Donations and contributions	-	-	5	5
Refunds and reimbursements	525,100	525,100	84,639	(440,461)
Other	20,500	20,500	58,843	38,343
Total revenues	7,044,000	7,164,239	7,140,679	(23,560)
Expenditures				
General government:				
Legislative and executive	1,426,982	1,455,105	1,405,312	49,793
Judicial	560,212	567,525	545,387	22,138
Public safety	3,870,269	3,873,458	3,648,885	224,573
Public works	368,035	367,593	167,510	200,083
Health	110,000	107,065	101,969	5,096
Conservation and recreation	-	-	-	-
Economic development	39,500	39,500	39,146	354
Transportation	301,221	301,221	289,033	12,188
Capital outlay	28,451	67,442	36,677	30,765
Debt service:				
Principal retirement	30,243	30,243	30,243	-
Interest and fiscal charges	16,847	16,847	16,847	-
Total expenditures	6,751,760	6,825,999	6,281,009	544,990
Excess of Revenues Over/ (Under) Expenditures	292,240	338,240	859,670	521,430
Other Financing Sources/(Uses)				
Transfers out	(757,500)	(812,544)	(814,794)	(2,250)
Total other financing sources/(uses)	(757,500)	(812,544)	(814,794)	(2,250)
Net change in fund balance	(465,260)	(474,304)	44,876	519,180
Fund balances at beginning of year	2,210,442	2,210,442	2,210,442	-
Prior year encumbrances appropriated	93,552	93,552	93,552	-
Fund balances at end of year	\$ 1,838,734	\$ 1,829,690	\$ 2,348,870	\$ 519,180

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 525,000	\$ 525,000	\$ 500,083	\$ (24,917)
Other	5,000	5,000	7,302	2,302
Total revenues	<u>530,000</u>	<u>530,000</u>	<u>507,385</u>	<u>(22,615)</u>
Expenditures				
Transportation	667,316	639,316	554,226	85,090
Capital outlay	289,585	289,585	280,985	8,600
Total expenditures	<u>956,901</u>	<u>928,901</u>	<u>835,211</u>	<u>93,690</u>
Excess of revenues over/ (under) expenditures	(426,901)	(398,901)	(327,826)	71,075
Other Financing Sources/(Uses)				
Transfers in	168,000	168,000	85,000	(83,000)
Advance out	(28,000)	(28,000)	(28,000)	-
Total other financing sources/(uses)	<u>140,000</u>	<u>140,000</u>	<u>57,000</u>	<u>(83,000)</u>
Net change in fund balance	(286,901)	(258,901)	(270,826)	(11,925)
Fund balances at beginning of year	120,947	120,947	120,947	-
Prior year encumbrances appropriated	297,165	297,165	297,165	-
Fund balances at end of year	<u>\$ 131,211</u>	<u>\$ 159,211</u>	<u>\$ 147,286</u>	<u>\$ (11,925)</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current assets:				
Pooled cash and cash equivalents	\$ 606,495	\$ 2,105,681	\$ 113,244	\$ 531,911
Receivables:				
Accounts	358,298	576,196	-	106,032
Prepaid items	52	998	-	-
Materials and supplies inventory	80,141	10,852	-	-
Total current assets	<u>1,044,986</u>	<u>2,693,727</u>	<u>113,244</u>	<u>637,943</u>
Noncurrent assets:				
Advances to other funds	-	800,000	-	-
Depreciable capital assets, net	8,605,500	12,546,801	9,583,739	85,410
Nondepreciable capital assets	2,061,773	1,347,078	857,574	-
Total noncurrent assets	<u>10,667,273</u>	<u>14,693,879</u>	<u>10,441,313</u>	<u>85,410</u>
Total assets	<u>11,712,259</u>	<u>17,387,606</u>	<u>10,554,557</u>	<u>723,353</u>
Liabilities				
Current liabilities:				
Accounts payable	19,036	28,353	4,680	74,967
Accrued wages and benefits	17,837	21,984	-	3,532
Intergovernmental payable	19,333	19,771	-	3,392
Interest payable	4,056	5,771	5,190	-
Retainage payable	-	43,181	-	-
Refundable deposits	-	-	-	-
Notes payable	712	18,400	-	-
Bonds payable	281,965	407,570	99,022	-
Compensated absences	29,382	32,267	-	6,618
Total current liabilities	<u>372,321</u>	<u>577,297</u>	<u>108,892</u>	<u>88,509</u>
Noncurrent liabilities:				
Notes payable	8,189	393,160	-	-
Bonds payable	1,523,954	2,232,937	1,288,329	-
Compensated absences	110,624	52,953	-	5,044
Total Noncurrent Liabilities	<u>1,642,767</u>	<u>2,679,050</u>	<u>1,288,329</u>	<u>5,044</u>
Total liabilities	<u>2,015,088</u>	<u>3,256,347</u>	<u>1,397,221</u>	<u>93,553</u>
Net Position				
Net investment in capital assets	9,135,540	11,920,134	9,080,165	85,410
Unrestricted	561,631	2,211,125	77,171	544,390
Total net position	<u>9,697,171</u>	<u>14,131,259</u>	<u>9,157,336</u>	<u>629,800</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 497,536	\$ 3,854,867	\$ 103,233
425,086	1,465,612	-
5,015	6,065	-
-	90,993	-
<u>927,637</u>	<u>5,417,537</u>	<u>103,233</u>
-	800,000	-
256,825	31,078,275	-
216,620	4,483,045	-
<u>473,445</u>	<u>36,361,320</u>	<u>-</u>
<u>1,401,082</u>	<u>41,778,857</u>	<u>103,233</u>
6,159	133,195	355
17,749	61,102	-
29,092	71,588	-
-	15,017	-
-	43,181	-
169,328	169,328	-
-	19,112	-
-	788,557	-
30,280	98,547	-
<u>252,608</u>	<u>1,399,627</u>	<u>355</u>
-	401,349	-
-	5,045,220	-
35,326	203,947	-
<u>35,326</u>	<u>5,650,516</u>	<u>-</u>
<u>287,934</u>	<u>7,050,143</u>	<u>355</u>
473,445	30,694,694	-
639,703	4,034,020	102,878
<u>1,113,148</u>	<u>34,728,714</u>	<u>102,878</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for services	\$ 1,800,125	\$ 2,780,056	\$ -	\$ 873,771
Rental income	-	-	80,250	-
Other operating revenue	60,994	28,247	6,289	26,315
Total operating revenues	<u>1,861,119</u>	<u>2,808,303</u>	<u>86,539</u>	<u>900,086</u>
Operating Expenses				
Personal services	695,649	796,227	-	123,354
Contractual services	126,547	501,353	104,634	613,242
Materials and supplies	342,584	122,458	3,863	28,130
Depreciation	253,372	312,548	121,029	15,328
Other operating expenses	36,793	134,056	11,887	26,759
Capital outlay	-	-	-	-
Total operating expenses	<u>1,454,945</u>	<u>1,866,642</u>	<u>241,413</u>	<u>806,813</u>
Operating income (loss)	<u>406,174</u>	<u>941,661</u>	<u>(154,874)</u>	<u>93,273</u>
Nonoperating Revenues (Expenses)				
Interest income	907	2,021	109	-
Grants income	-	-	-	-
Interest and fiscal charges	(45,819)	(67,799)	(66,841)	-
Operating transfers in	-	-	260,000	-
Total non-operating revenues (expenses)	<u>(44,912)</u>	<u>(65,778)</u>	<u>193,268</u>	<u>-</u>
Change in net position	361,262	875,883	38,394	93,273
Net position at beginning of year	9,335,909	13,255,376	9,118,942	536,527
Net position at end of year	<u>\$ 9,697,171</u>	<u>\$ 14,131,259</u>	<u>\$ 9,157,336</u>	<u>\$ 629,800</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 503,435	\$ 5,957,387	\$ 878,869
-	80,250	-
609	122,454	-
<u>504,044</u>	<u>6,160,091</u>	<u>878,869</u>
519,136	2,134,366	-
16,677	1,362,453	874,810
21,888	518,923	-
35,388	737,665	-
17,960	227,455	-
1,774	1,774	-
<u>612,823</u>	<u>4,982,636</u>	<u>874,810</u>
<u>(108,779)</u>	<u>1,177,455</u>	<u>4,059</u>
-	3,037	-
3,500	3,500	-
-	(180,459)	-
6,000	266,000	-
<u>9,500</u>	<u>92,078</u>	<u>-</u>
(99,279)	1,269,533	4,059
1,212,427	33,459,181	98,819
<u>\$ 1,113,148</u>	<u>\$ 34,728,714</u>	<u>\$ 102,878</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Business-type Activities - Enterprise Funds

	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,799,991	\$ 2,770,884	\$ 80,250	\$ 872,681
Other operating receipts	60,994	28,247	6,289	26,315
Cash paid to employees	(843,547)	(752,876)	(104,460)	(129,462)
Cash paid to suppliers	(357,869)	(571,982)	(7,511)	(632,963)
Cash paid for other expenses	(36,304)	(132,439)	(12,520)	(7,152)
Net cash flows from operating activities	<u>623,265</u>	<u>1,341,834</u>	<u>(37,952)</u>	<u>129,419</u>
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	-	87,313	260,000	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>87,313</u>	<u>260,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(452,540)	(800,388)	(87,762)	(19,407)
Grants	-	-	-	-
Payment of debt	(275,887)	(413,573)	(93,929)	-
Payment of interest	(54,177)	(77,234)	(65,774)	-
Net cash flows from capital and related financing activities	<u>(782,604)</u>	<u>(1,291,195)</u>	<u>(247,465)</u>	<u>(19,407)</u>
Cash Flows from Investing Activities				
Cash received from interest	907	2,021	109	-
Net cash flows from investing activities	<u>907</u>	<u>2,021</u>	<u>109</u>	<u>-</u>
Net change in cash	(158,432)	139,973	(25,308)	110,012
Cash and cash equivalents at beginning of year	764,927	1,965,708	138,552	421,899
Cash and cash equivalents at end of year	<u>\$ 606,495</u>	<u>\$ 2,105,681</u>	<u>\$ 113,244</u>	<u>\$ 531,911</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 406,174	\$ 941,661	\$ (154,874)	\$ 93,273
Add depreciation expense	253,372	312,548	121,029	15,328
(Increase)/Decrease in current assets				
Accounts receivable	(134)	(9,172)	-	(1,090)
Prepaid expenses	8,289	(691)	107	-
Materials and supplies inventory	(17,267)	3,088	-	-
Increase/(Decrease) in current liabilities				
Accounts payable	2,417	20,894	(4,214)	28,016
Accrued wages	(5,582)	7,476	-	(49)
Compensated absences	(22,476)	30,796	-	(5,656)
Refundable deposits	-	-	-	-
Intergovernmental dayable	(1,528)	5,079	-	(403)
Retainage payable	-	30,155	-	-
Net cash flows from operating activities	<u>\$ 623,265</u>	<u>\$ 1,341,834</u>	<u>\$ (37,952)</u>	<u>\$ 129,419</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 496,666	\$ 6,020,472	\$ 878,869
609	122,454	-
(510,215)	(2,340,560)	-
(38,663)	(1,608,988)	(874,455)
(33,995)	(222,410)	-
<u>(85,598)</u>	<u>1,970,968</u>	<u>4,414</u>
6,000	353,313	-
<u>6,000</u>	<u>353,313</u>	<u>-</u>
-	(1,360,097)	-
3,500	3,500	-
-	(783,389)	-
-	(197,185)	-
<u>3,500</u>	<u>(2,337,171)</u>	<u>-</u>
-	3,037	-
<u>-</u>	<u>3,037</u>	<u>-</u>
(76,098)	(9,853)	4,414
573,634	3,864,720	98,819
<u>\$ 497,536</u>	<u>\$ 3,854,867</u>	<u>\$ 103,233</u>
\$ (108,779)	\$ 1,177,455	\$ 4,059
35,388	737,665	-
(31,193)	(41,589)	-
311	8,016	-
-	(14,179)	-
2,172	49,285	355
2,501	4,346	-
6,539	9,203	-
7,582	7,582	-
(119)	3,029	-
-	30,155	-
<u>\$ (85,598)</u>	<u>\$ 1,970,968</u>	<u>\$ 4,414</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2012

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 18,045	\$ 14,689
Cash in segregated account	-	62,642
Investments	60,000	-
Total assets	78,045	77,331
Liabilities		
Deposits held and due to others	-	14,689
Undistributed assets	-	62,642
Total liabilities	-	77,331
Net Position		
Net position held in trust	\$ 78,045	\$ -

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 1,802
Other revenue	90
Total additions	<u>1,892</u>
Deductions	
Endowments	<u>1,101</u>
Total deductions	<u>1,101</u>
Change in net position	791
Net position at beginning of year	<u>77,254</u>
Net position at end of year	<u><u>\$ 78,045</u></u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The City of Bellefontaine (the City) is a body politic and Corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City was formed as a village in 1820 and incorporated in 1835. In 1900 it became a City and is presently a home rule municipal corporation under the laws of the State of Ohio.

The City operates under a council-mayor form of government and provides the following services: public safety; public services, recreation and development. Education services are provided by Bellefontaine City School District. The School District is a separate governmental entity and its financial statements are not included in these financial statements.

This report includes all activities considered by management to be part of the City by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support, the organization; or (c) is obligated in some manner for the debt of the entity. The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units.

Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending).

Utilizing this criteria, the City included on its financial statements the operations and balances of the Municipal Court and the Park Commission. The City has not included the Bellefontaine City School District, which elects its own officials, and has no control over its operations.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property and income taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Unearned Revenue and Unavailable Revenue – Unearned revenue and unavailable revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on the both the governmental fund and government-wide financial statements.

Revenues earned but not received within the City's availability period are recorded as unavailable revenue on the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital improvements fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

The *reconstruction improvements fund* is used to account for financial resources to be used for the right-of-way acquisition and subsequent resurfacing of a major highway.

The *street department fund* is used to account for receipts and expenditures associated with the street construction and maintenance within the City.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the water department. The water department operates the water distribution system.

The *sewer fund* accounts for the activities of the sewer department. The sewer department operates the sewage treatment plant, sewage pumping stations and sewage collection systems.

The *airport fund* accounts for the activities of the City's airport.

The *garbage fund* accounts for the City's garbage removal activities.

Additionally, the government reports the following fund types:

The *internal service fund* is used to account for insurance services provided to other departments of the government on a cost reimbursement basis.

The *private-purpose trust funds* are used to account for resources legally held in trust.

The *agency funds* are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's Municipal Court is accounted for in an agency fund.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Deposits and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, bonds of the State of Ohio and STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

For presentation purposes on the Statement of Cash Flows and Statement of Net Position/Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The City's net outstanding advance balance between the governmental and proprietary funds at December 31, 2012 was \$800,000.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (\$5,000 for infrastructure) and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the estimated useful lives of the related assets. Depreciable lives used for property items within each property classification are as follows:

<u>Classification</u>	<u>Useful Life</u>
Buildings	40 years
Utility Plant in Service	40-80 years
Improvements other than Buildings	20-50 years
Machinery, Vehicles, Furniture & Equipment	5-20 years

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All accumulated vacation leave and vested accumulated sick leave is recorded as a liability in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, accumulated vacation leave and vested accumulated sick leave that is expected to be liquidated with available financial resources are recorded as an expenditure and a fund liability of the governmental fund that will pay it.

The compensated absences liability for vacation leave includes salary-related payments, which are payments directly and incrementally related to the amount of salary paid to the employee. Salary-related payments include medicare taxes and employer contributions to cost-sharing multiple employer public employee retirement systems.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

The City applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balance/net position are available. The City considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Transactions

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

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in the governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

K. Estimates

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

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The City has restricted net position for capital projects, debt service, street maintenance and repair, public safety, health, judicial, and economic development. The City did not have any net position restricted by enabling legislation.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of United States generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- (1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).
- (2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- (3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- (4) Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

Reconciliation of the major differences between the budget basis and GAAP basis are as follows:

Net Change in Fund Balances

	General Fund	Street Department Fund
GAAP basis	\$ 287,962	\$ (52,542)
Parks and Recreation Change	(32,451)	-
Revenue accruals	(12,603)	4,942
Expenditure accruals	(40,146)	(164,933)
Other Financing Sources	(5,999)	(28,000)
Encumbrances	(151,887)	(30,293)
Budget basis	\$ 44,876	\$ (270,826)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$10,052,110 and the bank balance was \$10,157,206. Of the bank balance, \$3,888,536 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

Investments — Statutes authorize the City of Bellefontaine to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the state treasurer's investment pool. As of December 31, 2012, the City had \$1,250,445 invested in money market accounts.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. The City's money market funds were unrated. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The City's money market funds were held with several banking institutions. The City investments were 100 percent in money market funds.

NOTE 5 - TAXES

Property Taxes

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against all real and public utility property located in the City. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2012. The assessed valuations of the City for tax year 2011, which were used to collect taxes in calendar year 2012, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$ 210,681,490	97%
Public Utility	<u>7,437,270</u>	3%
Total Assessed Value	<u><u>218,118,760</u></u>	

Income Taxes

The City levies an income tax of 1.333% on the gross salaries, wages and other personal services compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit for taxes paid, up to the percentage which would be due the City, to other Ohio municipalities.

The receipts of the City income tax and the administrative costs associated with their collection are accounted for in the General Fund. Income tax receipts, net of related administrative costs, are disbursed, appropriated and allocated in accordance with ordinance No. 3565 as amended.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 5,920,387	\$ -	\$ -	\$ -	\$ 5,920,387
Construction in Progress	5,044,003	265,670	-	(4,764,904)	544,769
Total Non-depreciated assets	10,964,390	265,670	-	(4,764,904)	6,465,156
Capital assets, being depreciated:					
Land Improvements	3,612,210	35,929	-	2,103,166	5,751,305
Buildings	4,374,127	-	-	-	4,374,127
Equipment	2,479,403	42,659	(52,365)	-	2,469,697
Furniture	230,782	7,202	-	-	237,984
Vehicles	3,104,195	212,542	(13,428)	-	3,303,309
Infrastructure	12,644,172	1,243,853	-	2,661,738	16,549,763
Total depreciated assets	26,444,889	1,542,185	(65,793)	4,764,904	32,686,185
Total capital assets	37,409,279	1,807,855	(65,793)	-	39,151,341
Less accumulated depreciation for:					
Land Improvements	139,493	42,700	-	-	182,193
Buildings	2,111,518	73,008	-	-	2,184,526
Equipment	1,719,997	133,002	(51,086)	-	1,801,913
Furniture	174,608	11,009	-	-	185,617
Vehicles	1,805,139	127,830	(12,085)	-	1,920,884
Infrastructure	7,273,582	490,275	-	-	7,763,857
Total accumulated depreciation	13,224,337	877,824	(63,171)	-	14,038,990
Total depreciable assets, net	13,220,552	664,361	(2,622)	4,764,904	18,647,195
Total capital assets, net	\$ 24,184,942	\$ 930,031	\$ (2,622)	\$ -	\$ 25,112,351

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 49,177
Health	3,342
Judicial	14,637
Legislative and Executive	65,447
Public Safety	127,622
Public Works	237,657
Transportation	379,942
Total	\$ 877,824

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2012, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 1,784,949	\$ -	\$ -	\$ -	\$ 1,784,949
Construction in Progress	3,269,256	685,483	-	(1,256,643)	2,698,096
Total Non-depreciated assets	<u>5,054,205</u>	<u>685,483</u>	<u>-</u>	<u>(1,256,643)</u>	<u>4,483,045</u>
Capital assets, being depreciated:					
Land Improvements	8,085,809	76,095	-	-	8,161,904
Buildings	13,795,491	7,160	-	-	13,802,651
Equipment	3,712,769	121,200	(30,824)	-	3,803,145
Furniture	19,505	-	-	-	19,505
Vehicles	1,107,989	79,545	(12,505)	-	1,175,029
Infrastructure	13,870,967	169,352	-	1,256,643	15,296,962
Total assets being depreciated	<u>40,592,530</u>	<u>453,352</u>	<u>(43,329)</u>	<u>1,256,643</u>	<u>42,259,196</u>
Total capital assets	<u>45,646,735</u>	<u>1,138,835</u>	<u>(43,329)</u>	<u>-</u>	<u>46,742,241</u>
Less accumulated depreciation for:					
Land Improvements	464,845	28,581	-	-	493,426
Buildings	3,082,704	188,940	-	-	3,271,644
Equipment	2,165,626	141,093	(26,657)	-	2,280,062
Furniture	16,437	1,332	-	-	17,769
Vehicles	587,082	77,720	(11,255)	-	653,547
Construction in Progress	-	1,179	-	-	1,179
Infrastructure	4,164,474	298,820	-	-	4,463,294
Total accumulated depreciation	<u>10,481,168</u>	<u>737,665</u>	<u>(37,912)</u>	<u>-</u>	<u>11,180,921</u>
Total depreciable assets, net	<u>30,111,362</u>	<u>(284,313)</u>	<u>(5,417)</u>	<u>1,256,643</u>	<u>31,078,275</u>
Total capital assets, net	<u>\$ 35,165,567</u>	<u>\$ 401,170</u>	<u>\$ (5,417)</u>	<u>\$ -</u>	<u>\$ 35,561,320</u>

Depreciation expense was charged to business-type programs as follows:

Water	\$ 253,372
Sewer	312,548
Airport	121,029
Garbage	15,328
Other Nonmajor	35,388
Total	<u>\$ 737,665</u>

In October 2010, the City issued \$4,240,000 in Series 2010 various purpose bonds for the purpose of providing funds to pay costs of energy projects ongoing in the City.

In accordance with Financial Accounting Standards Board Statement No. 62, from the date the debt was issued, the City capitalizes the net effect of interest expense and related interest revenue on the portion of the debt issued to fund the energy project. Interest capitalized during the fiscal year was \$94,909. Interest costs not capitalized are expensed.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
Special Assessment Bonds:					
Lakewood Drive, 3.60/6.40%, 2012	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
Tax Increment Financing Bond:					
Guntown Road, 4.50/6.00%, 2015	275,000	-	(65,000)	210,000	65,000
2010 Energy Project Bonds, 2-3.75%, 2027	581,820	-	(30,243)	551,577	30,963
OPWC Street Resurfacing, 0%, 2019	225,000	-	(30,000)	195,000	30,000
OPWC Roadway Improvement	-	85,445	-	85,445	-
Unamortized premium on sale of bonds	17,150	-	(4,962)	12,188	-
Compensated Absences Payable	1,136,631	269,060	(292,063)	1,113,628	429,312
Total Governmental Activities	2,255,601	354,505	(442,268)	2,167,838	555,275
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Airport Improvement, 2.00/4.80%, 2023	1,405,000	-	(90,000)	1,315,000	95,000
OPWC Rehabilitation, 0%, 2014	30,000	-	(10,000)	20,000	10,000
OPWC Waterline Replacement, 0%, 2025	9,613	-	(712)	8,901	712
OPWC Storm Water Drainage, 0%, 2028	138,600	-	(8,400)	130,200	8,400
OPWC Wastewater Treatment					
Plant Upgrade, 0%, 2031	290,400	-	(14,520)	275,880	14,520
2010 Refunding Bonds 2-3%, 2028	970,000	-	(315,000)	655,000	325,000
2010 New Project Bonds 2-3%, 2015	685,000	-	(165,000)	520,000	170,000
2010 Energy Project Bonds 2-3%, 2027	3,458,180	-	(179,757)	3,278,423	184,037
Unamortized premium on sale of bonds	70,214	-	(19,380)	50,834	-
Compensated Absences Payable	293,291	82,076	(72,873)	302,494	98,547
Total Business-Type Activities	7,350,298	82,076	(875,642)	6,556,732	906,216
Total Long-Term Obligations	\$ 9,605,899	\$ 436,581	\$ (1,317,910)	\$ 8,724,570	\$ 1,461,491

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Special assessment bonds were issued to provide funds for South Main Street and Lakewood Drive improvements. These bonds will be repaid from amounts levied against the property owners benefited from these improvements.

Water and sewer revenue bonds are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

A summary of the City's future debt service requirements as of December 31, 2012 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2013	\$ 125,963	\$ 28,842
2014	130,963	24,323
2015	136,683	19,504
2016	62,403	14,370
2017	63,123	13,641
2018-2022	225,740	53,883
2023-2027	211,702	23,319
	<u>\$ 956,577</u>	<u>\$ 177,882</u>

Business-Type Activities:

2013	\$ 807,669	\$ 180,204
2014	822,669	162,824
2015	491,949	145,042
2016	326,229	133,473
2017	330,509	124,517
2018-2022	1,837,422	452,022
2023-2027	1,524,677	145,796
2028-2030	62,280	-
	<u>\$ 6,203,404</u>	<u>\$ 1,343,878</u>

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2012 (See Note 10). The compensated absences will be paid from the funds in which the employees' salaries are paid.

During 2012, the City entered into a loan arrangement through the Ohio Public Works Commission (OPWC) to fund various roadway improvements. The loan amount was in the amount of \$234,637. As of December 31, 2012, the District had drawdown \$85,445. Since the loan was not completed at December 31, 2012, this amount was excluded from the future debt service schedule presented above.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

On September 2, 2010, the City issued \$6.715 million in General Obligation Bonds to finance future projects (\$5,260,000), current refund the 1999 storm water bonds (\$475,000) and current refund the 1995 Water Mortgage Revenue Bonds (\$980,000). The bonds were issued with interest rates ranging from 2.0% to 3.75%, compared to the refunded bonds having an interest rate ranging from 3.75% to 5.2%.

The sewer current refunding reduces its total debt service over the next 5 years by \$29,287 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately the same amount.

The water current refunding reduces its total debt service over the next 5 years by \$98,722 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately the same amount.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2012 member contribution rate for City employees was 10.00% of covered payroll. The 2012 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$449,817, \$470,531, and \$471,685 respectively. The full amount has been contributed for 2011 and 2010; 88.7 percent has been contributed for 2012 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2012, 2011, and 2010 were \$514,739, \$586,391, and \$562,085, respectively. The full amount has been contributed for 2011 and 2010; 75.7 percent has been contributed for 2012 with the remainder being reported as a fund liability.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding Policy - The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2012, 2011, and 2010 were \$128,513, \$134,431, and \$171,679, respectively. The full amount has been contributed for 2011 and 2010; 88.7 percent has been contributed for 2012 with the remainder being reported as a fund liability.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2012, 2011, and 2010 were \$514,739, \$586,391, and \$562,085, respectively, of which \$161,976, \$183,021 and \$175,521, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2011 and 2010; 75.7% has been contributed for police and firefighters for 2012.

NOTE 10 - EMPLOYEE BENEFITS

The City accrues unpaid bonus, compensatory time and vacation as it is earned and certain portions of sick leave as payment becomes probable. Sick leave accumulates at the rate of 4.6 hours of sick leave for 80 hours of work completed. Sick leave may be converted into cash upon retirement with ten years of service at the rate of thirty-three percent for a maximum of 40 eight-hour work days. Individuals leaving employment of the City prior to retirement or at retirement with less than three years of service lose their accumulated unpaid vested leave.

Vacation leave accumulates at a varying rate based upon years of service. No more than three years entitlement of vacation can be carried forward into the next calendar year unless the employee is unable to use his vacation due to the operational needs of the City. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation up to a maximum of the three-years' entitlements accrual.

At December 31, 2012, the City's liability for accumulated unpaid sick leave was \$650,694. A liability of \$506,494 has been recognized in the governmental activities and \$144,200 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$765,428. A liability of \$607,134 has been recognized in the governmental activities and \$158,294 has been recognized in the business-type activities.

NOTE 11 – LIABILITY INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured with a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

All employees of the City are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage. The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 12 – CONTINGENT LIABILITIES

The City may be a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City’s Law Director that any judgment against the City would not have a material adverse effect on the City’s financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 13 - CONDUIT DEBT OBLIGATIONS

The City has issued Hospital Facilities Revenue and Refunding Bonds and a Master Equipment Lease-Purchase and Sublease-Purchase agreement for financing the acquisition, construction and installation of certain Hospital Facilities and for the acquisition of equipment for the Mary Rutan Health Association of Logan County. The debt is secured by the property financed and is payable solely from payments received on the underlying mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the Mary Rutan Health Association of Logan County, the entity served by the debt issuance. Neither the City or State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements.

The original issuance for the Revenue Bonds in 2006 was \$15,000,000. As of December 31, 2012, the revenue bonds outstanding were \$8,020,000.

NOTE 14 – INTERFUND TRANSFERS/ADVANCES

A schedule of interfund transfers during the fiscal year is as follows:

<u>Transfers In</u>	<u>Transfers Out General Fund</u>
Street Fund	\$ 85,000
Other Governmental Funds	42,295
Airport Fund	260,000
Parking Meter Fund	6,000
Total Transfers In/Out	<u>\$ 393,295</u>

Transfers are used to (1) move receipts restricted to debt service from the fund(s) collecting the receipts to the debt service fund(s) as debt service payments become due, (2) move matching monies to finance the City’s share of grant expenses, and (3) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code and grant requirements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 14 – INTERFUND TRANSFERS/ADVANCES (CONTINUED)

Interfund balances at December 31, 2012 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
Capital Improvement	\$ 292,687	\$ -	\$ (40,687)	\$ 252,000
Street Department	(280,000)	-	28,000	(252,000)
Reconstruction Improvement	(900,000)	-	100,000	(800,000)
Sewer Fund	(12,687)	-	12,687	-
Sewer Fund	900,000	-	(100,000)	800,000

The advance from the capital improvement fund to the street department fund was made to help finance projects due to insufficient funds. When the City begins charging for storm water these monies will be repaid. The advance from the sewer fund to the reconstruction Improvement fund were made to provide funding for the road project until other financing could be secured by the City. Advances not expected to be repaid within one year will be recorded as Advances to/from Other Funds. Those expected to be repaid within one year will be recorded as Due to/from Other Funds.

NOTE 15 – CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at year-end:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Remaining</u>
Berquist Consultanting Inc.	\$ 168,800	\$ 105,142	\$ 63,658
Levan's Excavating Inc	208,935	135,134	73,801
Robertson Construction	507,807	-	507,807
Allied Waste Services	43,500	-	43,500
Lusituform Technologies, Inc.	301,644	132,551	169,093
Total	<u>\$ 1,230,686</u>	<u>\$ 372,827</u>	<u>\$ 857,859</u>

NOTE 16 – DEFERRED INFLOWS OF RESOURCES

Unearned revenue at December 31, 2012 consisted of property taxes for which there is an enforceable legal claim as of December 31, 2012, which were levied to finance year 2013 operations and grants and entitlements received before eligibility requirements are met.

A summary of the items of unearned revenue reported on the statement of net position follows:

<u>Governmental Activities:</u>	
Property taxes	\$ 549,603
Grants and entitlements	46,263
	<u>\$ 595,866</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES/ACCOUNTABILITY

(a) Change in Accounting Principles

For fiscal year 2012, the City has implemented the following:

GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 60 “Accounting and Financial Reporting for Service Concession Arrangements” improves financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements (SCAs) for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement affected the statements by “Net Assets” now being referred to as “Net Position”.

GASB Statement No. 64 “Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53” clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not have a significant effect on the financial statements of the City.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. As a result of the implementation of this statement, all property taxes intended to finance the subsequent fiscal year and all unavailable revenues, both of which were previously reported as liabilities, are now reported as deferred inflows of resources.

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES/ACCOUNTABILTY (CONTINUED)

(b) Deficit Fund Balance

The following funds had a deficit fund balance as of December 31, 2012:

<u>Governmental Fund</u>	<u>Deficit</u>
<i>Major fund</i>	
Reconstruction Improvement Fund	\$ (550,554)
<i>Nonmajor funds</i>	
Probation Department	(1,114)

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balance in these funds resulted from adjustments for accrued liabilities. The general fund is responsible for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

**CITY OF BELLEFONTAIN
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Award Disbursements</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	A-Z-08-2AL-1	14.228	\$11,792
	A-F-11-2AL-1		121,293
	A-C-11-2AL-1		<u>1,500</u>
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			134,585
Home Investment Partnerships Program	A-C-11-2AL-2	14.239	<u>180,593</u>
Total U.S. Department of Housing and Urban Development			<u>315,178</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through Ohio Office of Criminal Justice Services</i>			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	2009-SB-B9-3118	16.804	6,241
<i>Passed through the Ohio Attorney General's Office</i>			
Crime Victim Assistance	2012VAGENE-577	16.575	15,930
	2013VAGENE-577		<u>6,972</u>
Total Crime Victim Assistance			<u>22,902</u>
Total U.S. Department of Justice			<u>29,143</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction		20.205	<u>183,741</u>
Total U.S. Department of Transportation			<u>183,741</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Office of Homeland Security</i>			
Assistance to Firefighters Grant	EMW-2010-FO-01741	97.044	<u>4,381</u>
Total U.S. Department of Homeland Security			<u>4,381</u>
Total Federal Award Expenditures			<u><u>\$532,443</u></u>

See accompanying notes to the schedule.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Bellefontaine's (the City's) federal programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUB-RECIPIENTS

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development to other governments (sub-recipients). As Note A describes, the City reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the City has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreement, and that sub-recipients achieve the award's performance goals.

NOTE C- COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and equipment. At December 31, 2011, the gross amount of loans outstanding under this program was \$9,950 (one loan outstanding). There was \$6,000 in delinquent amounts due at December 31, 2011. As of December 31, 2012 the remaining outstanding amount of the loan was defaulted and closed, and there are currently no loans outstanding.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311

To the Members of Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 12, 2013 wherein we noted the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311

To the Members of Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Bellefontaine's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Bellefontaine's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and Highway Planning and Construction Programs

As described in Findings 2012-002 and 2012-003 in the accompanying schedule of findings, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-002	14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Cash Management
2012-003	20.205	Highway Planning and Construction	Other

Compliance with these requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

Qualified Opinion on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and Highway Planning and Construction

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and Highway Planning and Construction Programs* paragraph, the City of Bellefontaine complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and Highway Planning and Construction Programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-002 and 2012-003 to be material weaknesses.

The City's responses to our noncompliance and internal control over compliance findings are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2013

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**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #14.228 – Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii CFDA # 20.205 – Highway Planning and Construction
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING 2012-001

MATERIAL WEAKNESS

See Finding 2012-003 listed below under Findings for Federal Awards. Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) summarizes the methodology for compilation of a Schedule of Federal Awards.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-002
CFDA Title and Number	CFDA # 14.228 – Community Development Block Grants / State’s Program and Non-Entitlement Grants in Hawaii
Federal Award Number / Year	A-F-11-2AL-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE FINDING AND MATERIAL WEAKNESS – Cash Management

24 C.F.R. Section 85.21(c) states grantees and sub-grantees shall be paid in advance provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee.

Ohio Department of Development, Office of Housing and Community Partnership’s Financial Management Rules and Regulations Handbook Section (A)(3)(f) states the grantee must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum drawdowns are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the 15-day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

The Community Development Block Grant Formula fund had a balance greater than \$5,000 for five consecutive months. The balance ranged from \$10,445 to \$83,348; however the fund was fully expended by the end of November 2012.

The City should develop a cash management system to monitor the fifteen day rule regarding the prompt disbursement of funds. Requests for payments should be submitted for current cash needs. Procedures should be established to monitor the receipts, disbursements, and balances of the Community Development Block Grant funds to avoid excessive federal fund cash balances.

Officials’ Response:

See Corrective Action Plan

Finding Number	2012-003
CFDA Title and Number	CFDA # 20.205 – Highway Planning and Construction
Federal Award Number / Year	2012
Federal Agency	United States Department Transportation
Pass-Through Agency	Ohio Department of Transportation

NONCOMPLIANCE FINDING AND MATERIAL WEAKNESS - Other

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal awards, states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

While not required, it is preferable to present this information in the schedule.

City of Bellefontaine personnel presented documentation for the compilation of the federal schedule; however, the CFDA 20.205 Highway Planning and Construction, on-behalf grant from the Ohio Department of Transportation was not included. ODOT expended \$183,741 in federal funds on behalf of the City in October 2012.

The lack of a process to be alert to, and recognize receipt of on-behalf of grants led to the understatement of expenditures on the federal schedule and non-recognition of single audit status. In addition, the receipts and expenditures were not included on the City's accounting ledgers. The statements and federal schedule have been adjusted to account for the transactions.

City personnel should develop a system to recognize and record any grants which may be constructively received.

Officials' Response:

See Corrective Action Plan

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	24 C.F.R. Section 85.21(c) – Failure to comply with cash management requirements of federal grants	No	Repeated as Finding 2012-002

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	<p>The City has always attempted to request and spend its grant funds in a timely manner; however delays in receiving grant funds from the time requested were excessive at times. Once the City received the funds it had to cut checks to the contractors and the City only issues checks every 2 weeks. This delay was unacceptable to contractors and vendors. Therefore, it was necessary to anticipate needed cash flow, and the City drew down funds based on the anticipated request for payments from contractors and vendors. This is where the problem arose, it is very difficult to satisfy both the required 15 day turnaround and prompt payment to the contractors or vendors.</p> <p>We are currently debating whether to request funds only as needed and not anticipated. This, no matter how burdensome it is to project contractors and vendors We are also reviewing the contract and payments procedures to determine if there are any avenues for timely defining of anticipated needs. No other specific procedures will address this fiscal issue.</p>	November 2013	Jack Reser, Auditor
2012-003	<p>We are currently reviewing our process for tracking and recording all grant amounts (including on-behalf of grants). We will coordinate the process to help assure that the employees who receive information related to grants forward that information to a central location for inclusion in the financials and federal reporting documents.</p>	November 2013	Jack Reser, Auditor

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Dave Yost • Auditor of State

CITY OF BELLEFONTAINE

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2013**