

CITY OF BELLEFONTAINE, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Honorable Mayor and City Council
City of Bellefontaine
135 N. Detroit Street
Bellefontaine, Ohio 43311-1476

We have reviewed the Independent Auditor's Report of the City of Bellefontaine, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 29, 2004

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CITY OF BELLEFONTAINE, OHIO
AUDIT REPORT
For the Year Ended December 31, 2003

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor and City Council
City of Bellefontaine
Bellefontaine, Ohio**

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of Bellefontaine (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 154 to the basic financial statements, during 2003, the City adopted Governmental Accounting and Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Bellefontaine taken as a whole. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
July 29, 2004

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**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

As management of the City of Bellefontaine, we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2003.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$51.7 million (net assets). Of this amount, \$10.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$317,359, or .62%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.9 million, a decrease of \$90,547 in comparison with the prior year. Of this total amount, \$5.1 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.3 million, or 19% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health services, conservation and recreation, economic development and transportation. The business-type activities of the City include water distribution, sewage collection and treatment, airport operation, refuse collection, ambulance service and parking service.

The government-wide financial statements can be found on pages 14-15 of this report.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, capital improvements fund, reconstruction improvements fund, and the airport construction fund, which are considered to be major funds. Data from the other 30 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewage collection and treatment systems, airport operations, refuse collection, and parking and ambulance services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance activities. Because these self-insurance activities predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water distribution system, sewage collection and treatment system, and airport operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 21-24 of this report.

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. The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

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 notes to the financial statements begin on page 28 of this report.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$51.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, 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.

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Current and other assets	10,773,536	10,509,282	4,889,181	5,867,001	15,662,717	16,376,283
Capital assets	<u>20,663,641</u>	<u>20,611,578</u>	<u>28,246,387</u>	<u>27,741,381</u>	<u>8,792,713</u>	<u>8,352,959</u>
Total Assets	<u>31,437,177</u>	<u>31,120,860</u>	<u>33,135,568</u>	<u>33,608,382</u>	<u>64,572,745</u>	<u>64,729,242</u>
Current liabilities	1,684,643	1,426,708	347,644	435,846	2,032,287	1,862,554
Long-term liabilities	<u>5,018,049</u>	<u>5,293,476</u>	<u>5,797,330</u>	<u>6,271,315</u>	<u>10,815,379</u>	<u>11,564,791</u>
Total Liabilities	<u>6,702,692</u>	<u>6,720,184</u>	<u>6,144,974</u>	<u>6,707,161</u>	<u>12,847,666</u>	<u>13,427,345</u>
Net Assets:						
Invested in capital assets, net of related debt	18,988,641	19,191,578	20,111,387	21,621,381	39,100,028	40,812,959
Restricted	1,311,437	1,118,171	811,410	815,526	2,122,847	1,933,697
Unrestricted	<u>4,434,407</u>	<u>4,090,927</u>	<u>6,067,797</u>	<u>4,464,314</u>	<u>10,502,204</u>	<u>8,555,241</u>
Total Net Assets	<u>24,734,485</u>	<u>24,400,676</u>	<u>26,990,594</u>	<u>26,901,221</u>	<u>51,725,079</u>	<u>51,301,897</u>

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$317,359 during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Governmental Activities

Governmental activities increased the City's net assets by \$333,809, or .65%, thereby accounting for 105% of the total growth in the net assets of the City. Key elements of this increase are as follows:

Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Program revenues:			
Charges for services	1,087,017	4,069,487	5,156,504
Grants and contributions	1,156,727	107,357	1,264,084
General revenues:			
Property taxes	608,537	-	608,537
Income taxes	5,554,235	-	5,554,235
Other local taxes	191,757	-	191,757
Unrestricted grants	934,296	-	934,296
Investment earnings	238,053	16,346	254,399
Other	393,458	65,341	458,799
Total revenues	10,164,080	4,258,531	14,422,611
Expenses:			
General government	2,320,606	-	2,320,606
Public safety	3,986,013	-	3,986,013
Public works	414,474	-	414,474
Health	216,394	-	216,394
Conservation and recreation	773,332	-	773,332
Economic development	111,648	-	111,648
Transportation	1,652,044	-	1,652,044
Interest on long-term debt	139,147	-	139,147
Loss on disposition of assets	126,542	-	126,542
Water	-	1,729,903	1,729,903
Sewer	-	1,674,985	1,674,985
Airport	-	194,122	194,122
Other nonmajor enterprise	-	766,042	766,042
Total expenses	9,740,200	4,365,052	14,105,252
Increase in net assets before transfers	423,880	(106,521)	317,359
Transfers	(90,071)	90,071	-
Increase in net assets	333,809	(16,450)	317,359
Net Assets - 1/1/2003	24,400,676	27,007,044	51,407,720
Net Assets - 12/31/2003	24,734,485	26,990,594	51,725,079

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Business-type Activities

Business-type activities decreased the City's net assets by \$16,450. Key elements of this decrease are noted above.

Total versus Net Cost of Services

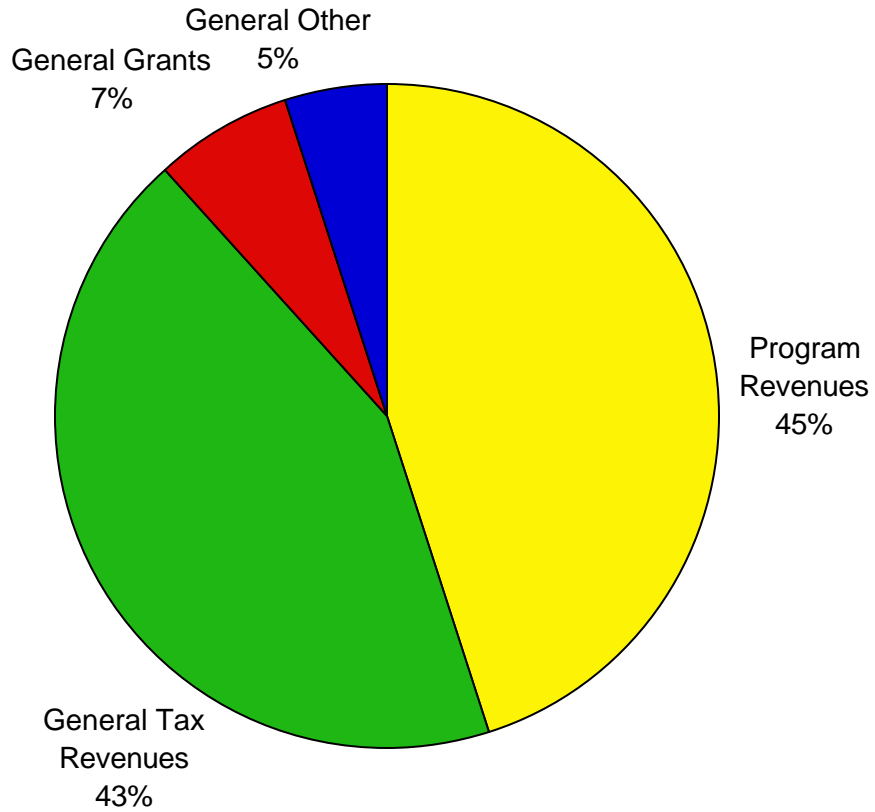
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost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

Functions/Programs	Total Cost of Services	Net Cost of Services
Governmental Activities:		
General government	\$ (2,320,606)	\$ (2,230,646)
Public safety	(3,986,013)	(3,083,850)
Public works	(414,474)	(199,941)
Health	(216,394)	(177,800)
Conservation and recreation	(773,332)	(684,411)
Economic development	(111,648)	393,852
Transportation	(1,652,044)	(1,247,971)
Interest on long-term debt	(139,147)	(139,147)
Loss on disposition of assets	(126,542)	(126,542)
Total Governmental Activities	(9,740,200)	(7,496,456)
Business-type Activities:		
Water	(1,729,903)	(225,151)
Sewer	(1,674,985)	15,501
Airport	(194,122)	(99,227)
Other nonmajor	(766,042)	120,669
Total Business-type Activities	(4,365,052)	(188,208)

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

CITY OF BELLEFONTAINE
LOGAN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)



The City's reliance upon tax revenues is demonstrated by the graph above indicating 43% of total revenues from local taxes. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$7.7 million of support, as well as the graph above, indicating general revenues comprise 65% of total revenues.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Financial Analysis of the Government'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, unreserved 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 \$5.9 million, a slight increase from the prior year. Approximately 86% of this amount (\$5.1 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$611,709) or for a variety of other restricted purposes (\$200,320).

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 and 2002.

	<u>Fund Balance</u> <u>12/31/2003</u>	<u>Fund Balance</u> <u>12/31/2002</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 1,376,761	\$ 1,870,847	\$ (494,086)
Capital improvements	3,101,260	3,156,808	(55,548)
Reconstruction improvements	1,725,874	1,693,110	32,764
Airport construction	(1,627,382)	(1,890,413)	263,031
Other Governmental	<u>1,357,692</u>	<u>1,194,400</u>	<u>163,292</u>
Total	<u>\$ 5,934,205</u>	<u>\$ 6,024,752</u>	<u>\$ (90,547)</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.3 million, while total fund balance reached \$1.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19% of total general fund expenditures, while total fund balance represents 21% of that same amount.

The fund balance of the City's general fund decreased \$494,086 during the current fiscal year. This decrease represents the degree to which increases in ongoing general fund expenditures have outstripped similar increases in ongoing general fund revenues.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

The capital improvements fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. At the end of the current fiscal year, unreserved fund balance of the capital improvements fund was \$3 million, while total fund balance was \$3.1 million. Fund balance decreased only slightly from the previous year.

The reconstruction improvements fund accounts for the accumulation of financial resources to be used for infrastructure improvements other than those associated with proprietary activities. At the end of the current fiscal year, unreserved and total fund balance of the reconstruction improvements fund was \$1.7 million. Fund balance increased slightly from the previous year.

The airport construction fund accounts for financial resources to be used for construction of the city's airport. At the end of the current fiscal year, unreserved fund balance of the airport construction fund was negative \$1.6 million as a result of an outstanding airport construction note. Fund balance increased \$.2 million from the previous 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 assets in the water fund at the end of the year amounted to \$219,874. Total net assets decreased \$179,972, or 2.2%, from the previous year.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$2 million. Total net assets increased \$49,095, or .7%, from the previous year.

Unrestricted net assets in the airport fund at the end of the year amounted to \$2.8 million. Total net assets decreased \$6,741, or .06%, from the previous year.

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.

Differences between the original budget and the final amended budget in the general fund were insignificant. The final amended revenue estimate exceeded the original estimate by \$258,000, or 3.5%, and the final appropriations exceeded the original resolution by \$305,615, or 4%. The City's final amended revenue estimate exceeded actual revenues by \$150,723, or 2%, and the final amended appropriations exceeded actual expenditures by \$132,233, or 1.6%.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$48.9 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were \$ 2.3 million and depreciation was \$1.4 million. Detailed information regarding capital asset activity is included in the Note 6 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total debt outstanding of \$9,810,000. Of this amount, \$3,960,000 represents debt backed by the full faith and credit of the City and \$215,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remaining \$5,635,000 of the City's debt represents bonds secured by specified revenue sources (i.e. revenue bonds). Detailed information regarding long-term debt is included in Note 7 to the basic financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2003

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	8,239,700	3,278,022	11,517,722
Investments	70,000	-	70,000
Receivables:			
Taxes	1,503,347	-	1,503,347
Accounts	44,376	565,311	609,687
Intergovernmental	580,393	7,148	587,541
Interest	6,215	551	6,766
Due from other funds	-	50,000	50,000
Materials and supplies inventory	57,758	82,748	140,506
Prepaid items	29,054	7,419	36,473
Notes receivable	27,693	-	27,693
Special assessments	215,000	-	215,000
Restricted cash and cash equivalents	-	811,410	811,410
Deferred bond costs	-	86,572	86,572
Capital assets, net	20,663,641	28,246,387	48,910,028
Total Assets	31,437,177	33,135,568	64,572,745
Liabilities			
Accounts payable	88,684	97,336	186,020
Accrued wages and benefits	413,847	46,606	460,453
Intergovernmental payable	-	40,407	40,407
Interest payable	-	21,516	21,516
Due to other funds	50,000	-	50,000
Deferred revenue	823,970	-	823,970
Pension obligations payable	216,342	32,703	249,045
Claims payable	91,800	-	91,800
Refundable deposits	-	109,076	109,076
Long-term liabilities			
Due within one year	3,055,161	517,465	3,572,626
Due in more than one year	1,962,888	5,279,865	7,242,753
Total Liabilities	6,702,692	6,144,974	12,847,666
Net Assets			
Invested in capital assets, net of related debt	18,988,641	20,111,387	39,100,028
Restricted for:			
Capital projects	211,407	-	211,407
Debt service	13,316	811,410	824,726
Other purposes	1,086,714	-	1,086,714
Unrestricted	4,434,407	6,067,797	10,502,204
Total Net Assets	24,734,485	26,990,594	51,725,079

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
General government	\$ 2,320,606	\$ -	\$ 88,952	\$ (2,231,654)	\$ -	\$ (2,231,654)
Public safety	3,986,013	746,258	159,982	(3,079,773)	-	(3,079,773)
Public works	414,474	214,358	-	(200,116)	-	(200,116)
Health	216,394	38,509	-	(177,885)	-	(177,885)
Conservation and recreation	773,332	87,892	-	(685,440)	-	(685,440)
Economic development	111,648	-	505,500	393,852	-	393,852
Transportation	1,652,044	-	402,293	(1,249,751)	-	(1,249,751)
Interest on long-term debt	139,147	-	-	(139,147)	-	(139,147)
Loss on disposition of assets	126,542	-	-	(126,542)	-	(126,542)
Total Governmental Activities	9,740,200	1,087,017	1,156,727	(7,496,456)	-	(7,496,456)
Business-type Activities:						
Water	1,729,903	1,504,752	-	-	(225,151)	(225,151)
Sewer	1,674,985	1,690,486	-	-	15,501	15,501
Airport	194,122	-	94,895	-	(99,227)	(99,227)
Other nonmajor	766,042	874,249	12,462	-	120,669	120,669
Total Business-type Activities	4,365,052	4,069,487	107,357	-	(188,208)	(188,208)
Total Government	\$ 14,105,252	\$ 5,156,504	\$ 1,264,084	\$ (7,496,456)	\$ (188,208)	\$ (7,684,664)
General Revenues:						
Property taxes				608,537	-	608,537
Income taxes				5,554,235	-	5,554,235
Other local taxes				191,757	-	191,757
Unrestricted grants and entitlements				934,296	-	934,296
Unrestricted investment earnings				238,053	16,346	254,399
Other unrestricted revenues				393,458	65,341	458,799
Transfers				(90,071)	90,071	-
Total general revenues and transfers				7,830,265	171,758	8,002,023
Change in Net Assets				333,809	(16,450)	317,359
Net assets at beginning of year - (See Note 15)				24,400,676	27,007,044	51,407,720
Net assets at end of year				24,734,485	26,990,594	51,725,079

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Airport Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Pooled cash and cash equivalents	\$ 1,138,199	\$ 2,928,048	\$ 2,076,128	\$ 571,257	\$ 1,441,982	\$ 8,155,614
Investments	-	-	-	-	70,000	70,000
Receivables:						
Taxes	1,365,694	-	-	-	137,653	1,503,347
Accounts	-	-	-	-	35,461	35,461
Intergovernmental	100,880	-	-	303,222	176,291	580,393
Interest	5,730	-	-	485	-	6,215
Due from other funds	-	173,583	-	-	-	173,583
Materials and supplies inventory	-	-	-	-	57,758	57,758
Notes receivable	-	-	-	-	27,693	27,693
Special assessments receivable	-	-	-	-	215,000	215,000
Prepaid items	25,671	-	-	-	3,383	29,054
Total assets	<u>\$ 2,636,174</u>	<u>\$ 3,101,631</u>	<u>\$ 2,076,128</u>	<u>\$ 874,964</u>	<u>\$ 2,165,221</u>	<u>\$ 10,854,118</u>
Liabilities:						
Accounts payable	69,857	371	254	2,346	15,856	88,684
Accrued wages and benefits	335,851	-	-	-	77,996	413,847
Due to other funds	-	-	-	-	223,583	223,583
Deferred revenue	738,806	-	-	-	449,782	1,188,588
Pension obligations payable	60,516	-	-	-	30,161	90,677
Notes payable	-	-	350,000	2,500,000	-	2,850,000
Compensated absences payable	54,383	-	-	-	10,151	64,534
Total liabilities	<u>1,259,413</u>	<u>371</u>	<u>350,254</u>	<u>2,502,346</u>	<u>807,529</u>	<u>4,919,913</u>
Fund Balances:						
Reserved for:						
Encumbrances	82,981	78,449	16,746	53,760	379,773	611,709
Supplies inventory	-	-	-	-	57,758	57,758
Prepaid items	25,671	-	-	-	3,383	29,054
Notes receivable	-	-	-	-	27,693	27,693
Debt service	-	-	-	-	13,316	13,316
Perpetual care	-	-	-	-	72,499	72,499
Unreserved, reported in:						
General fund	1,268,109	-	-	-	-	1,268,109
Special revenue funds	-	-	-	-	565,502	565,502
Debt service fund	-	-	-	-	-	-
Capital project funds	-	3,022,811	1,709,128	(1,681,142)	237,768	3,288,565
Total fund balances	<u>1,376,761</u>	<u>3,101,260</u>	<u>1,725,874</u>	<u>(1,627,382)</u>	<u>1,357,692</u>	<u>5,934,205</u>
Total liabilities and fund balances	<u>\$ 2,636,174</u>	<u>\$ 3,101,631</u>	<u>\$ 2,076,128</u>	<u>\$ 874,964</u>	<u>\$ 2,165,221</u>	<u>\$ 10,854,118</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total Governmental Fund Balances	\$	5,934,205
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,663,641
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		364,618
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 assets.		1,201
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		(778,515)
Pension obligations payable		(125,665)
General obligation debt		(1,325,000)
		<u>(2,229,180)</u>
 Net Assets of Governmental Activities	 \$	 <u>24,734,485</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Airport Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 487,129	\$ -	\$ -	\$ -	\$ 121,408	\$ 608,537
Income taxes	5,363,934	-	-	-	-	5,363,934
Other local taxes	166,149	-	-	-	25,608	191,757
Charges for services	28,000	-	-	-	340,759	368,759
Licenses, permits and fees	104,151	-	-	-	7,289	111,440
Fines and forfeitures	647,135	-	-	-	71,123	718,258
Intergovernmental	534,498	-	-	401,129	1,145,202	2,080,829
Special assessments	-	-	-	-	29,806	29,806
Interest	80,899	94,961	49,725	6,323	6,145	238,053
Rent	550	-	-	34,278	-	34,828
Donations and contributions	470	-	-	-	4,894	5,364
Other	69,552	876	-	62,114	79,478	212,020
Total revenues	7,482,467	95,837	49,725	503,844	1,831,712	9,963,585
Expenditures:						
General Government:						
Legislative and executive	1,434,155	-	-	-	5,149	1,439,304
Judicial	747,858	-	-	-	72,156	820,014
Public safety	3,624,355	-	-	-	201,880	3,826,235
Public works	248,891	-	-	-	-	248,891
Health	46,384	-	-	-	163,516	209,900
Conservation and recreation	-	-	-	-	727,655	727,655
Economic development	34,623	-	-	-	495,167	529,790
Transportation	478,417	-	-	-	870,522	1,348,939
Capital outlay	-	151,385	11,959	188,219	127,623	479,186
Debt service:						
Principal retirement	-	-	-	-	95,000	95,000
Interest and fiscal charges	-	-	5,002	52,594	81,551	139,147
Total expenditures	6,614,683	151,385	16,961	240,813	2,840,219	9,864,061
Excess (Deficiency) of revenues and other financing sources over (under) expenditure:	867,784	(55,548)	32,764	263,031	(1,008,507)	99,524
Other financing sources (uses):						
Operating transfers in	-	-	-	-	1,253,799	1,253,799
Operating transfers out	(1,361,870)	-	-	-	(82,000)	(1,443,870)
Total other financing sources (uses)	(1,361,870)	-	-	-	1,171,799	(190,071)
Excess (Deficiency) of revenues and other financing sources over (under) revenues	(494,086)	(55,548)	32,764	263,031	163,292	(90,547)
Fund balance at beginning of year, as restated	1,870,847	3,156,808	1,693,110	(1,890,413)	1,161,118	5,991,470
Increase (Decrease) in inventory	-	-	-	-	33,282	33,282
Fund balance at end of year	\$ 1,376,761	\$ 3,101,260	\$ 1,725,874	\$(1,627,382)	\$ 1,357,692	\$ 5,934,205

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
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, 2003

Net Change in Fund Balances - Total Governmental Funds	\$	(90,547)
 <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. This is the amount by which depreciation exceeded capital outlays in the current period.		
		83,710
 The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets.		
		(31,647)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		200,495
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.		
		95,000
 Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue of activities of the internal service fund is reported with governmental activities.		
		18,980
 Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>57,818</u>
 Change in Net Assets of Governmental Activities	 \$	 <u><u>333,809</u></u>

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 fiscal year ended December 31, 2003

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues				
Property taxes	\$ 462,000	\$ 481,000	\$ 488,451	\$ 7,451
Income tax	5,150,000	5,300,000	5,284,497	(15,503)
Other local taxes	91,000	173,000	166,149	(6,851)
Charges for services	28,000	28,000	28,000	-
Licenses and permits	89,350	106,350	104,151	(2,199)
Fines and forfeitures	620,000	643,000	651,470	8,470
Intergovernmental	571,062	588,062	527,472	(60,590)
Investment income	150,000	100,000	85,677	(14,323)
Rent	600	600	550	(50)
Donations and contributions	1,000	1,000	470	(530)
Other	136,150	136,150	69,552	(66,598)
Total Revenues	<u>7,299,162</u>	<u>7,557,162</u>	<u>7,406,439</u>	<u>(150,723)</u>
Expenditures				
General Government:				
Legislative and executive	1,512,143	1,579,508	1,478,361	(101,147)
Judicial	734,891	741,891	743,892	2,001
Public safety	3,504,431	3,589,431	3,598,159	8,728
Public works	231,561	250,811	232,718	(18,093)
Health	38,000	38,000	46,250	8,250
Economic development	35,900	36,900	34,623	(2,277)
Transportation	519,373	519,373	489,678	(29,695)
Total Expenditures	<u>6,576,299</u>	<u>6,755,914</u>	<u>6,623,681</u>	<u>(132,233)</u>
Excess of Revenues Over/ (Under) Expenditures	722,863	801,248	782,758	(18,490)
Other Financing Sources/(Uses)				
Transfers out	(1,235,870)	(1,361,870)	(1,361,870)	-
Total other financing sources/(uses)	<u>(1,235,870)</u>	<u>(1,361,870)</u>	<u>(1,361,870)</u>	<u>-</u>
Net change in fund balance	(513,007)	(560,622)	(579,112)	(18,490)
Fund balances at beginning of year	1,262,821	1,262,821	1,262,821	-
Prior year encumbrances appropriated	247,439	247,439	247,439	-
Fund balances at end of year	<u>\$ 997,253</u>	<u>\$ 949,638</u>	<u>\$ 931,148</u>	<u>\$ (18,490)</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
Assets						
Pooled cash and cash equivalents	\$ 161,998	\$ 1,763,473	\$ 315,239	\$ 1,037,312	\$ 3,278,022	\$ 84,086
Receivables:						
Accounts	210,489	246,283	-	108,539	565,311	8,915
Intergovernmental	-	-	-	7,148	7,148	-
Interest	154	397	-	-	551	-
Due from other funds	-	50,000	-	-	50,000	-
Materials and supplies inventory	75,735	7,013	-	-	82,748	-
Prepaid items	3,856	3,386	177	-	7,419	-
Restricted cash and cash equivalents	300,843	510,567	-	-	811,410	-
Deferred bond costs	-	86,572	-	-	86,572	-
Capital assets, net	10,015,385	7,278,750	10,479,132	473,120	28,246,387	-
Total assets	\$ 10,768,460	\$ 9,946,441	\$ 10,794,548	\$ 1,626,119	\$ 33,135,568	\$ 93,001
Liabilities						
Accounts payable	29,035	25,264	6,305	36,732	97,336	-
Accrued wages and benefits	24,580	16,215	-	5,811	46,606	-
Intergovernmental payable	25,847	8,730	-	5,830	40,407	-
Interest payable	9,972	11,544	-	-	21,516	-
Deferred revenue	-	-	-	-	-	-
Pension obligations payable	22,354	7,911	-	2,438	32,703	-
Refundable deposits	-	-	-	109,076	109,076	-
Compensated absences	120,570	38,599	-	3,161	162,330	-
Claims payable	-	-	-	-	-	91,800
Bonds payable	2,435,000	3,200,000	-	-	5,635,000	-
Total Liabilities	2,667,358	3,308,263	6,305	163,048	6,144,974	91,800
Net Assets						
Invested in capital assets, net of related debt	7,580,385	4,078,750	7,979,132	473,120	20,111,387	-
Restricted for debt service	300,843	510,567	-	-	811,410	-
Unrestricted	219,874	2,048,861	2,809,111	989,951	6,067,797	1,201
Total Net Assets	\$ 8,101,102	\$ 6,638,178	\$ 10,788,243	\$ 1,463,071	\$ 26,990,594	\$ 1,201

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
Operating Revenues						
Charges for services	\$ 1,504,752	\$ 1,690,486	\$ -	\$ 874,249	\$ 4,069,487	\$ 786,428
Refunds and reimbursements	-	-	-	-	-	85,038
Other operating revenue	35,973	26,454	2,415	499	65,341	-
Total Operating Revenues	<u>1,540,725</u>	<u>1,716,940</u>	<u>2,415</u>	<u>874,748</u>	<u>4,134,828</u>	<u>871,466</u>
Operating Expenses						
Personal services	936,922	396,186	-	158,557	1,491,665	-
Contractual services	168,590	758,162	64,942	502,406	1,494,100	-
Materials and supplies	224,966	110,419	6,094	38,475	379,954	-
Claims and judgements	-	-	-	-	-	952,486
Depreciation	238,557	195,249	84,969	14,570	533,345	-
Other operating expenses	34,436	58,259	13,594	44,686	150,975	-
Total Operating Expenses	<u>1,603,471</u>	<u>1,518,275</u>	<u>169,599</u>	<u>758,694</u>	<u>4,050,039</u>	<u>952,486</u>
Operating income (loss)	<u>(62,746)</u>	<u>198,665</u>	<u>(167,184)</u>	<u>116,054</u>	<u>84,789</u>	<u>(81,020)</u>
Nonoperating Revenues (Expenses)						
Interest income	9,206	7,140	-	-	16,346	-
Grants income	-	-	-	12,462	12,462	-
Interest and fiscal charges	(125,645)	(149,525)	-	-	(275,170)	-
Loss on disposition of assets	(787)	(7,185)	(24,523)	(7,348)	(39,843)	-
Total non-operating revenues (expenses)	<u>(117,226)</u>	<u>(149,570)</u>	<u>(24,523)</u>	<u>5,114</u>	<u>(286,205)</u>	<u>-</u>
Income before contributions and transfers	(179,972)	49,095	(191,707)	121,168	(201,416)	(81,020)
Capital contributions	-	-	94,895	-	94,895	-
Transfers in	-	-	90,071	-	90,071	100,000
Change in net assets	<u>(179,972)</u>	<u>49,095</u>	<u>(6,741)</u>	<u>121,168</u>	<u>(16,450)</u>	<u>18,980</u>
Net assets at beginning of year, as restated	8,281,074	6,589,083	10,794,984	1,341,903	27,007,044	(17,779)
Net assets at end of year	<u>\$ 8,101,102</u>	<u>\$ 6,638,178</u>	<u>\$ 10,788,243</u>	<u>\$ 1,463,071</u>	<u>\$ 26,990,594</u>	<u>\$ 1,201</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities						
Cash received from customers	\$ 1,508,267	\$ 1,693,658	\$ 320	\$ 887,987	\$ 4,090,232	\$ -
Cash received from quasi-external transactions from other funds	-	-	-	-	-	786,428
Other operating receipts	35,973	26,454	2,095	499	65,021	76,123
Cash paid to employees	(922,526)	(378,336)	-	(154,218)	(1,455,080)	-
Cash paid to suppliers	(416,842)	(862,403)	(66,865)	(653,849)	(1,999,959)	-
Cash paid for other expenses	(38,153)	(56,865)	(14,537)	(56,445)	(166,000)	-
Cash paid for claims	-	-	-	-	-	(935,982)
Net cash flows from operating activities	<u>166,719</u>	<u>422,508</u>	<u>(78,987)</u>	<u>23,974</u>	<u>534,214</u>	<u>(73,431)</u>
Cash Flows from Noncapital Financing Activities						
Transfers in	-	-	90,071	-	90,071	100,000
Transfers out	-	(50,000)	-	-	(50,000)	-
Grants	-	-	-	5,314	5,314	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>(50,000)</u>	<u>90,071</u>	<u>5,314</u>	<u>45,385</u>	<u>100,000</u>
Cash Flows from Capital and Related Financing Activities						
Purchase of capital assets	(1,138,821)	(27,163)	-	(11,492)	(1,177,476)	-
Proceeds from sale of capital assets	-	-	300,000	-	300,000	-
Payment of debt	(150,000)	(335,000)	-	-	(485,000)	-
Payment of interest	(126,195)	(138,718)	-	-	(264,913)	-
Net cash flows from capital and related financing activities	<u>(1,415,016)</u>	<u>(500,881)</u>	<u>300,000</u>	<u>(11,492)</u>	<u>(1,627,389)</u>	<u>-</u>
Cash Flows from Investing Activities						
Cash received from interest	9,785	7,337	-	-	17,122	-
Net cash flows from investing activities	<u>9,785</u>	<u>7,337</u>	<u>-</u>	<u>-</u>	<u>17,122</u>	<u>-</u>
Net change in cash	(1,238,512)	(121,036)	311,084	17,796	(1,030,668)	26,569
Cash and cash equivalents at beginning of year	1,701,353	2,395,076	4,155	1,019,516	5,120,100	57,517
Cash and cash equivalents at end of year	<u>\$ 462,841</u>	<u>\$ 2,274,040</u>	<u>\$ 315,239</u>	<u>\$ 1,037,312</u>	<u>\$ 4,089,432</u>	<u>\$ 84,086</u>

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:						
Operating income (loss)	\$ (62,746)	\$ 198,665	\$ (167,184)	\$ 116,054	\$ 84,789	\$ (81,020)
Add depreciation expense	238,557	195,249	84,969	14,570	533,345	-
(Increase)/Decrease in current assets						
Accounts receivable	4,094	3,172	-	(5,340)	1,926	(8,915)
Prepaid expenses	(2,903)	(2,670)	(46)	-	(5,619)	-
Materials and supplies inventory	6	(4,472)	-	-	(4,466)	-
Increase/(Decrease) in current liabilities						
Accounts payable	1,162	23,444	3,274	(105,837)	(77,957)	-
Accrued wages	(18,668)	3,429	-	(1,281)	(16,520)	-
Compensated absences	7,048	4,990	-	(1,023)	11,015	-
Refundable deposits	-	-	-	6,018	6,018	-
Pension obligations payable	169	701	-	813	1,683	-
Claims payable	-	-	-	-	-	16,504
Net Cash Flows from Operating Activities	<u>\$ 166,719</u>	<u>\$ 422,508</u>	<u>\$ (78,987)</u>	<u>\$ 23,974</u>	<u>\$ 534,214</u>	<u>\$ (73,431)</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2003

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 17,576	\$ 1,759
Cash and cash equivalents in a segregated account	-	40,985
Investments	60,000	-
Accounts receivable	-	10,550
Total Assets	77,576	53,294
Liabilities		
Accounts payable	71	-
Deposits held and due to others	-	12,309
Due to other funds	-	-
Undistributed assets	-	40,985
Total Liabilities	71	53,294
Net Assets		
Assets held in trust	\$ 77,505	\$ -

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Private-Purpose Trust Funds</u>
Additions	
Contributions	\$ -
Interest	<u>2,646</u>
Total Additions	<u>2,646</u>
Deductions	
Endowments	<u>2,789</u>
Total Deductions	<u>2,789</u>
Net Assets at beginning of year	<u>77,648</u>
Net assets at end of year	<u><u>\$ 77,505</u></u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 assets and the statement of changes in net assets) 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 and claims and judgments, are recorded only when payment is due.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property 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.

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 improvement fund* is primarily used to account for financial resources to be used for infrastructure improvements (other than those financed by proprietary or trust funds).

The *airport construction fund* is used to account for financial resources to be used for construction of the City's airport.

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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 combined balance sheet.

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. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

For purposes of the combined statement of cash flows and for presentation on the combined 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 District 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 "due to/from other funds" (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 governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, 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.

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.

Inventories and prepaid items are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

G. 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 assets. 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 & Equipment	5-20 years

H. 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.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. 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.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

Long-term advances between funds, as reported in the governmental fund financial statements, are often offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable financial resources.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

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:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	<u>General Fund</u>
GAAP basis	\$ (494,086)
Revenue accruals	(76,028)
Expenditure accruals	143,839
Encumbrances	<u>(152,837)</u>
Budget basis	<u><u>\$ (579,112)</u></u>

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 deposit accounts.

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;
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).

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$9,237,108 and the bank balance was \$9,471,107. Of the bank balance, \$560,000 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.

The City's deposits are categorized in the following table to give an indication of the level of credit risk assumed by the City at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its safekeeping agent in the City's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the City's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the City's name.

	Category 1	Category 2	Total
Certificates of Deposit	0	3,830,000	3,830,000
Savings/Checking Accounts	<u>5,641,107</u>	<u>0</u>	<u>5,641,107</u>
Totals	<u>5,641,107</u>	<u>3,830,000</u>	<u>9,471,107</u>

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Collateral is required for demand deposits and certificate of deposits at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations.

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

Investments — Statutes authorize the City of 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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, for which the securities are held by the counterparty's Trust department or an agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the City's name. Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
<u>Categorized Investments:</u>	
U.S. Government Securities Category 3	\$ 3,142,344
<u>Uncategorized Investments:</u>	
STAR Ohio	<u>140,000</u>
Total Investments	<u>\$ 3,282,344</u>

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	
GASB Statement No. 9	\$ 12,389,452	\$ 130,000	
Pooled Investments:			
STAROhio	(140,000)	140,000	
U.S. Government Securities	(3,142,344)	3,142,344	
Certificates of deposit with original maturities greater than ninety days	<u>130,000</u>	<u>(130,000)</u>	
GASB Statement No. 3	<u>\$ 9,237,108</u>	<u>\$ 3,282,344</u>	

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 5 - TAXES

Property Taxes

Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) 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. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 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.

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

The 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, public utility property, and tangible personal property taxes, which became measurable as of December 31, 2003. The assessed valuations of the City for tax year 2002, which were used to collect taxes in calendar year 2003, are as follows:

	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$111,864,110	49%
Industrial/Commercial	60,004,500	26%
Public Utility	8,823,180	4%
Tangible Personal	<u>46,012,180</u>	<u>21%</u>
Total Assessed Value	<u>\$226,703,970</u>	<u>100%</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
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - CAPITAL ASSETS

An adjustment to beginning balances has been made to reflect the City's addition of infrastructure assets as required with the implementation of GASB Statement No. 34.

Governmental capital asset activity for the year ended December 31, 2003, was as follows:

Description	Beginning Balance	Prior Period Restate	Restated Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:						
Land	\$ 1,039,882	\$ 4,626,927	\$ 5,666,809	\$ -	\$ -	\$ 5,666,809
Capital assets, being depreciated:						
Land Improvements	1,602,991	1,771,300	3,374,291	-	-	3,374,291
Buildings	3,988,222	-	3,988,222	144,077	(6,121)	4,126,178
Equipment	2,412,643	-	2,412,643	288,667	(198,333)	2,502,977
Furniture	133,358	-	133,358	-	-	133,358
Vehicles	2,182,979	-	2,182,979	57,878	(55,250)	2,185,607
Infrastructure	<u>2,157,231</u>	<u>7,052,641</u>	<u>9,209,872</u>	<u>458,679</u>	<u>-</u>	<u>9,668,551</u>
Total	<u>13,517,306</u>	<u>13,450,868</u>	<u>26,968,174</u>	<u>949,301</u>	<u>(259,704)</u>	<u>27,657,771</u>
Less accumulated depreciation for:						
Land Improvements	55,317	-	55,317	9,934	-	65,251
Buildings	1,450,436	-	1,450,436	62,669	(2,080)	1,511,025
Equipment	1,248,162	-	1,248,162	215,005	(176,252)	1,286,915
Furniture	102,525	-	102,525	2,679	-	105,204
Vehicles	1,024,160	-	1,024,160	69,414	(49,725)	1,043,849
Infrastructure	<u>171,242</u>	<u>2,304,754</u>	<u>2,475,996</u>	<u>505,890</u>	<u>-</u>	<u>2,981,886</u>
Total	<u>4,051,842</u>	<u>2,304,754</u>	<u>6,356,596</u>	<u>865,591</u>	<u>(228,057)</u>	<u>6,994,130</u>
Total capital assets, net	<u>\$ 9,465,464</u>	<u>\$ 11,146,114</u>	<u>\$ 20,611,578</u>	<u>\$ 83,710</u>	<u>\$ (31,647)</u>	<u>\$ 20,663,641</u>

Depreciation expense was charged to governmental functions as follows:

Legislative and Executive	\$ 93,059
Judicial	29,568
Public Safety	113,028
Public Works	178,777
Health	5,057
Conservation and Recreation	61,740
Transportation	<u>384,362</u>
Total	<u>\$ 865,591</u>

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2003, was as follows:

Description	Beginning Balance	Prior Period Restate	Restated Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:						
Land	\$ 1,931,449	\$ -	\$ 1,931,449	\$ -	\$ (146,500)	\$ 1,784,949
Capital assets, being depreciated:						
Land Improvements	8,020,949	-	8,020,949	-	(261,660)	7,759,289
Buildings	8,999,676	-	8,999,676	1,028,762	(130,592)	9,897,846
Equipment	3,074,813	-	3,074,813	156,610	(42,478)	3,188,945
Furniture	20,216	-	20,216	-	(1,595)	18,621
Vehicles	638,464	-	638,464	117,315	(59,665)	696,114
Infrastructure	<u>5,591,386</u>	<u>4,732,075</u>	<u>10,323,461</u>	<u>75,507</u>	<u>(2,297)</u>	<u>10,396,671</u>
Total	<u>28,276,953</u>	<u>4,732,075</u>	<u>33,009,028</u>	<u>1,378,194</u>	<u>(644,787)</u>	<u>33,742,435</u>
Less accumulated depreciation for:						
Land Improvements	467,358	-	467,358	11,967	(156,929)	322,396
Buildings	1,503,445	-	1,503,445	173,664	(63,791)	1,613,318
Equipment	919,369	-	919,369	117,425	(29,738)	1,007,056
Furniture	3,139	-	3,139	1,835	(1,436)	3,538
Vehicles	375,291	-	375,291	34,077	(53,050)	356,318
Infrastructure	<u>762,909</u>	<u>1,236,136</u>	<u>1,999,045</u>	<u>194,377</u>	<u>-</u>	<u>2,193,422</u>
Total	<u>4,031,511</u>	<u>1,236,136</u>	<u>5,267,647</u>	<u>533,345</u>	<u>(304,944)</u>	<u>5,496,048</u>
Total capital assets, net	<u>24,245,442</u>	<u>3,495,939</u>	<u>27,741,381</u>	<u>844,849</u>	<u>(339,843)</u>	<u>28,246,387</u>

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

Water	\$ 238,557
Sewer	195,249
Airport	84,969
Other Nonmajor	<u>14,570</u>
Total	<u>\$ 533,345</u>

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Activities:					
Bonds Payable:					
Stormwater bonds, 3.85%					
Maturity in 2014	\$1,185,000	\$ -	\$ (75,000)	\$1,110,000	\$ 80,000
Total bonds payable	<u>1,185,000</u>	<u>-</u>	<u>(75,000)</u>	<u>1,110,000</u>	<u>80,000</u>
Special assessments:					
South main street, 6.25%					
Maturity in 2009	100,000	-	(10,000)	90,000	15,000
Lakewood drive, 3.6%					
Maturity in 2012	135,000	-	(10,000)	125,000	10,000
Total special assessment	<u>235,000</u>	<u>-</u>	<u>(20,000)</u>	<u>215,000</u>	<u>25,000</u>
Bond anticipation notes:					
Airport improve., 1.52%					
Maturing in 2004	1,900,000	1,900,000	(1,900,000)	1,900,000	1,900,000
Airport improve., 1.89%					
Maturing in 2004	600,000	600,000	(600,000)	600,000	600,000
South main street, 1.56%					
Maturing in 2004	350,000	350,000	(350,000)	350,000	350,000
Total bond anticipation	<u>2,850,000</u>	<u>2,850,000</u>	<u>(2,850,000)</u>	<u>2,850,000</u>	<u>2,850,000</u>
Business-type Activities:					
Bonds Payable:					
Sewer system, 3.25%					
Maturing in 2011	3,415,000	-	(325,000)	3,090,000	335,000
O.P.W.C, 0%					
Maturing in 2014	120,000	-	(10,000)	110,000	10,000
Water system, 3.75%					
Maturing in 2015	2,585,000	-	(150,000)	2,435,000	155,000
Total bonds payable	<u>6,120,000</u>	<u>-</u>	<u>(485,000)</u>	<u>5,635,000</u>	<u>500,000</u>
Comp. Absences					
Governmental	774,628	715,287	(646,866)	843,049	100,161
Business-Type	151,315	134,227	(123,212)	162,330	17,465
Total other	<u>925,943</u>	<u>849,514</u>	<u>(770,078)</u>	<u>1,005,379</u>	<u>117,626</u>
Total long-term obligations	<u><u>\$11,315,943</u></u>	<u><u>\$3,699,514</u></u>	<u><u>\$(4,200,078)</u></u>	<u><u>\$10,815,379</u></u>	<u><u>\$3,572,626</u></u>

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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, 2003 were as follows:

<u>Year</u>	<u>General Obligation</u>		<u>Special Assessment</u>		<u>Business-type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 80,000	\$ 52,180	\$ 25,000	\$ 14,105	\$ 500,000	\$ 246,198
2005	85,000	48,549	25,000	12,465	520,000	226,403
2006	85,000	44,724	25,000	10,815	540,000	205,298
2007	90,000	40,698	30,000	9,155	560,000	182,908
2008-2012	525,000	131,568	110,000	19,075	2,745,000	527,478
2013-2017	<u>245,000</u>	<u>15,930</u>	<u>0</u>	<u>0</u>	<u>770,000</u>	<u>76,000</u>
TOTAL	\$ <u>1,110,000</u>	\$ <u>333,649</u>	\$ <u>215,000</u>	\$ <u>65,615</u>	\$ <u>5,635,000</u>	\$ <u>1,464,285</u>

The compensated absences liability represents accrued bonus, compensatory time, vacation and sick leave benefits as of December 31, 2003 (See Note 10). The compensated absences will be paid from the funds in which the salaries are paid.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, 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 2003 member contribution rate for City employees was 8.5% of covered payroll. The 2003 employer contribution rate for the City was 13.55% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$466,523, \$451,149, and \$430,539, respectively. The full amount has been contributed for 2002 and 2001. 74 percent has been contributed for 2003 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 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, 2003, 2002, and 2001 were \$478,093, \$ 447,211, and \$ 414,139 respectively. The full amount has been contributed for 2002 and 2001. 74 percent has been contributed for 2003 with the remainder being reported as a long-term liability.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.55% of covered payroll, and 5% was used to fund health care.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2002.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The investment assumption rate for 2002 was 8%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase 4.00% annually.

OPEB's are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2003 contributions that were used to fund post-employment benefits were \$172,147.

\$10 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS-covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provided statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and 2003. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, are 13,527 for Police and 10,396 for Firefighters. The portion of the City's 2003 contributions that were used to fund post-employment benefits were \$92,058 for Police and \$79,526 for Firefighters. OP&F's total health care expense for the year ended December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

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, 2003, the City's liability for accumulated unpaid sick leave was \$338,751. A liability of \$287,737 has been recognized in the governmental activities and \$51,014 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$666,628. A liability of \$555,312 has been recognized in the governmental activities and \$111,316 has been recognized in the business-type activities.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 11 - SELF INSURANCE

During 1984 the City decided not to purchase commercial insurance for hospitalization, dental, vision, prescription, and medical benefits for losses suffered by its employees. Instead, City management believes it is more economical to manage its benefits internally and set aside assets for claim settlement in its internal service fund, the Self Insurance Fund. This fund services all claims for risk of loss to which the employees are exposed. Under this program, the Fund provides coverage for up to a maximum of \$25,000 for each claim. The City has purchased commercial insurance for claims in excess of these amounts.

All funds of the City participate in the program and make payments to the Self Insurance Fund based on historical data of amounts needed to pay prior and current-year claims. There has been no reduction in coverage from the prior year. The claims liability of \$91,800 reported in the fund at December 31, 2003, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information is obtained prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount for the two previous years are as follows:

<u>Calendar Year</u>	<u>Beginning Balance</u>	<u>Current Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2002	66,590	1,032,745	1,024,039	75,296
2003	75,296	952,486	935,982	91,800

NOTE 12 – LIABILITY INSURANCE

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.

NOTE 13 – CONTINGENT LIABILITIES

The City is 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.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 14 - 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 are 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 1993 was \$13,745,000 and the total Lease-purchase and Sublease-purchase was \$2,955,000. As of December 31, 2003, the revenue bonds and the lease purchase and sublease-purchases outstanding were \$6,540,000 and \$1,712,000 respectively.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

A. Changes in Accounting Principles

The City has implemented GASB Statements No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include entity-wide financial statements prepared on the accrual basis of accounting, and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The beginning net asset amount for governmental programs reflects the change in fund balance for the governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arise, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Balances

As presented below, several prior period restatements were recorded in fiscal year 2003. The compensated absences restatement is required to reclassify a portion of the previous years’ liability recorded in the general long-term debt account group as a fund liability; the intergovernmental receivable restatement is recorded to eliminate intergovernmental receivables recorded in error; and the accounts receivable restatement is required to record cemetery receivables not previously recorded.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES (CONTINUED)

In addition to prior period restatements, the City's cemetery endowment fund, previously reported as a fiduciary fund, has been reclassified as a permanent fund in accordance with GASB Statement No. 34. The transition from governmental fund balance to net assets of the governmental activities is also presented, as follows:

	<u>General Fund</u>	<u>Major Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance December 31, 2002	\$ 1,915,833	\$ 2,959,505	\$ 1,155,738	\$ 6,031,076
Prior period restatements:				
Compensated absences	(44,986)	-	(11,458)	(56,444)
Intergovernmental receivable	-	-	(58,926)	(58,926)
Accounts receivable	-	-	4,225	4,225
Reclassifications:				
Permanent fund	-	-	71,539	71,539
Adjusted balance December 31, 2002	<u>\$ 1,870,847</u>	<u>\$ 2,959,505</u>	<u>\$ 1,161,118</u>	<u>\$ 5,991,470</u>
GASB 34 Adjustments:				
Capital Assets				20,611,578
Long-Term Liabilities				(2,348,716)
Deferred Revenue				164,123
Internal Service Fund				<u>(17,779)</u>
Net Assets, June 30, 2002				<u>\$ 24,400,676</u>

CITY OF BELLEFONTAINE
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003

<u>Federal Grantor/Program Title</u>	<u>Grant #</u>	<u>CFDA #</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<i>U.S. Department of Housing and Urban Development:</i>				
Passed through Ohio Department of Development:				
Community Development Block Grant-Formula	A-F-01-093-1	14.228	\$ 112,500	\$ 114,500
Community Development Block Grant-Formula	A-F-02-093-1	14.228	66,000	59,942
Community Development Block Grant-Formula	A-F-03-093-1	14.228	67,000	15,000
Community Development Block Grant-Other	A-F-02-183-1	14.228	260,000	260,000
Total Community Development Block Grant			<u>505,500</u>	<u>449,442</u>
Total U.S. Department of Housing and Urban Development			<u>505,500</u>	<u>449,442</u>
Total Federal Assistance			<u>\$ 505,500</u>	<u>\$ 449,442</u>

See accompanying Note to the Schedule of Federal Awards Expenditures

CITY OF BELLEFONTAINE
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

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

**The Honorable Mayor and Members of City Council
City of Bellefontaine
Bellefontaine, Ohio**

We have audited the basic financial statements of the City of Bellefontaine, Ohio as of and for the year ended December 31, 2003 and have issued our report thereon dated July 29, 2004 wherein we noted the City adopted Governmental Accounting Standards Board Statements Nos. 34, 37, 38 and GASB Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated July 29, 2004.

This report is intended for the information and use of management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
July 29, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and Members of City Council
City of Bellefontaine
Bellefontaine, Ohio

Compliance

We have audited the compliance of the City of Bellefontaine with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
July 29, 2004

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**CITY OF BELLEFONTAINE
LOGAN COUNTY
December 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CDBG #14.228
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	\$300,000
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

CITY OF BELLEFONTAINE
LOGAN COUNTY
December 31, 2003

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2002, included no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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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
OCTOBER 12, 2004**