



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF BELLEFONTAINE
LOGAN COUNTY
DECEMBER 31, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual	
General Fund	24
Street Department Fund	25
Statement of Net Position	
Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Position	
Proprietary Funds	28
Statement of Cash Flows	
Proprietary Funds	30
Statement of Fiduciary Net Position	
Fiduciary Funds	32
Statement of Change in Fiduciary Net Position	
Fiduciary Fund	33
Notes to the Basic Financial Statements	35

**CITY OF BELLEFONTAINE
LOGAN COUNTY
DECEMBER 31, 2018**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of City's Proportionate Share of the Net Pension (Asset)/Liability (Ohio Public Employee's Retirement System).....	78
Schedule of City's Proportionate Share of the Net Pension Liability (Ohio Police and Fire Pension Fund)	79
Schedule of City Pension Contributions (Ohio Public Employee's Retirement System)	80
Schedule of City Pension Contributions (Ohio Police and Fire Pension Fund)	81
Schedule of City's Proportionate Share of the Net OPEB Liability (Ohio Public Employee's Retirement System)	82
Schedule of City's Proportionate Share of the Net OPEB Liability (Ohio Police and Fire Pension Fund)	83
Schedule of City OPEB Contributions (Ohio Public Employee's Retirement System)	84
Schedule of City OPEB Contributions (Ohio Police and Fire Pension Fund)	85
Notes to Required Supplementary Information	86
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	87
Schedule of Findings.....	89

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2019

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

This discussion and analysis of the City of Bellefontaine's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$58.6 million (net position).
- The City's net position decreased by \$667,086 during the year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$10.5 million, an increase of \$502,924 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.0 million, or 50 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of Bellefontaine as a Whole

Statement of Net Position and Statement of Activities

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

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

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

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City's governmental activities are accounted for in 49 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Improvement, Reconstruction Improvement and Street Department Fund, which are considered to be the City's major governmental funds. Data from the other 45 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

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.

Notes to the basic financial statements

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

THE CITY OF BELLEFONTAINE AS A WHOLE

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

**TABLE 1
Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	Restated 2017	2018	Restated 2017	2018	Restated 2017	2018
Current and other assets	\$ 13,475,797	\$ 14,370,481	\$ 7,373,065	\$ 7,685,621	\$ 20,848,862	\$ 22,056,102
Capital assets	27,546,028	27,181,649	37,404,723	37,773,998	64,950,751	64,955,647
Net pension asset	15,730	41,047	-	-	15,730	41,047
Total Assets	41,037,555	41,593,177	44,777,788	45,459,619	85,815,343	87,052,796
Deferred Outflows of Resources	2,983,601	3,138,282	1,047,053	1,309,246	4,030,654	4,447,528
Current liabilities	381,256	753,751	409,917	600,948	791,173	1,354,699
Long-term liabilities	2,034,914	2,025,848	3,877,801	3,526,542	5,912,715	5,552,390
Net pension liability	11,386,980	9,971,372	2,813,475	2,595,457	14,200,455	12,566,829
Net OPEB liability	7,339,391	8,658,123	1,413,702	1,930,194	8,753,093	10,588,317
Total Liabilities	21,142,541	21,409,094	8,514,895	8,653,141	29,657,436	30,062,235
Deferred Inflows of Resources	863,478	2,219,180	63,871	624,783	927,349	2,843,963
Net Position:						
Net Investment in capital assets	26,651,181	26,398,518	33,976,345	34,686,076	60,627,526	61,084,594
Restricted	3,649,171	3,679,108	-	-	3,649,171	3,679,108
Unrestricted	(8,285,215)	(8,974,441)	3,269,730	2,804,865	(5,015,485)	(6,169,576)
Total Net Position	\$ 22,015,137	\$ 21,103,185	\$ 37,246,075	\$ 37,490,941	\$ 59,261,212	\$ 58,594,126

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT’S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

The net pension liability (NPL) and net OPEB liability are the largest liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” For fiscal year 2018, the City adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability.

As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$29,317,240 to \$22,015,137 for governmental activities and from \$38,643,281 to \$37,246,075 for business-type activities.

In the Government Activities, current and other assets increased significantly, primarily as a result of an increase in Pooled Cash and Cash Equivalents from operations and an increase in accounts receivable from court settlements.

In the Business-type Activities, long-term liabilities decreased significantly, primarily due to principal payments of \$340,456 during the year.

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior year. These fluctuations are primarily the result of the greater than expected returns on pension plan investments.

By far the largest portion of the City's net position (104 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Table 2 shows the changes in net position for the year ended December 31, 2018 and 2017.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program revenues:						
Charges for services	\$ 1,747,059	\$ 1,692,509	\$ 6,895,125	\$ 7,074,365	\$ 8,642,184	\$ 8,766,874
Grants and contributions	1,806,884	1,147,357	244,718	21,322	2,051,602	1,168,679
General revenues:						
Property taxes	623,807	600,512	-	-	623,807	600,512
Income taxes	6,043,575	6,597,978	-	-	6,043,575	6,597,978
Other local taxes	70,275	59,724	-	-	70,275	59,724
Unrestricted grants	209,377	219,838	-	-	209,377	219,838
Investment earnings	94,892	44,649	-	-	94,892	44,649
Other	483,099	550,211	178,697	176,807	661,796	727,018
Total revenues	11,078,968	10,912,778	7,318,540	7,272,494	18,397,508	18,185,272
Expenses:						
General government	2,532,323	2,572,391	-	-	2,532,323	2,572,391
Public safety	5,204,440	6,247,168	-	-	5,204,440	6,247,168
Public works	281,192	181,830	-	-	281,192	181,830
Health	174,092	164,159	-	-	174,092	164,159
Conservation and recreation	797,256	780,500	-	-	797,256	780,500
Economic development	91,522	91,673	-	-	91,522	91,673
Transportation	1,525,830	1,595,335	-	-	1,525,830	1,595,335
Interest on long-term debt	13,189	12,283	-	-	13,189	12,283
Water	-	-	2,264,501	2,295,136	2,264,501	2,295,136
Sewer	-	-	2,702,812	2,490,391	2,702,812	2,490,391
Airport	-	-	368,083	422,337	368,083	422,337
Garbage	-	-	898,161	978,359	898,161	978,359
Ambulance	-	-	575,528	841,338	575,528	841,338
Other	-	-	8,519	7,992	8,519	7,992
Total expenses	10,619,844	11,645,339	6,817,604	7,035,553	17,437,448	18,680,892
Increase/Decrease in net position						
before transfers and Special Item	459,124	(732,561)	500,936	236,941	960,060	(495,620)
Transfers	(222,306)	(179,391)	222,306	179,391	-	-
Special Item	1,000,000	-	-	-	1,000,000	-
Gain (Loss) on Sale of Capital Assets	-	-	44,398	(171,466)	44,398	(171,466)
Change in net position	\$ 1,236,818	\$ (911,952)	\$ 767,640	\$ 244,866	\$ 2,004,458	\$ (667,086)
Net position, beginning, restated						
	N/A	22,015,137	N/A	37,246,075	N/A	59,261,212
Net position, ending	\$ 22,015,137	\$ 21,103,185	\$ 37,246,075	\$ 37,490,941	\$ 59,261,212	\$ 58,594,126

In the governmental activities, grants and contributions decreased significantly in comparison with the prior year. This decrease is the result a decrease in revenues received related to ODOT projects. In addition, total expenses increased significantly in comparison with the prior year. This increase is primarily the result of an increase in pension and other postemployment (OPEB) expenses, as reported by the pension and OPEB plans.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Total versus Net Cost of Services

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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Governmental Activities:				
General government	\$ (2,532,323)	\$ (2,572,391)	\$ (1,256,962)	\$ (1,363,617)
Public safety	(5,204,440)	(6,247,168)	(4,738,031)	(5,758,940)
Public works	(281,192)	(181,830)	(281,192)	(181,830)
Health	(174,092)	(164,159)	(110,500)	(107,263)
Conservation and recreation	(797,256)	(780,500)	(616,873)	(617,643)
Economic development	(91,522)	(91,673)	(78,567)	(91,673)
Transportation	(1,525,830)	(1,595,335)	29,413	(672,224)
Interest on long-term debt	(13,189)	(12,283)	(13,189)	(12,283)
Total Governmental Activities	(10,619,844)	(11,645,339)	(7,065,901)	(8,805,473)
Business-Type Activities:				
Water	(2,264,501)	(2,295,136)	64,097	50,577
Sewer	(2,702,812)	(2,490,391)	99,666	425,386
Airport	(368,083)	(422,337)	50,045	(218,301)
Garbage	(898,161)	(978,359)	114,731	58,073
Ambulance	(575,528)	(841,338)	(6,602)	(263,598)
Other	(8,519)	(7,992)	302	7,997
Total Business-Type Activities	(6,817,604)	(7,035,553)	322,239	60,134
Grand Total	\$ (17,437,448)	\$ (18,680,892)	\$ (6,743,662)	\$ (8,745,339)

In the governmental activities, the City's reliance upon general tax revenues is demonstrated by the net cost of services column above reflecting the need for approximately \$8.8 million of support.

THE CITY'S FUNDS

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

Governmental Funds

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.5 million, a \$502,924 increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2018 and 2017.

	<u>Fund Balance</u> <u>12/31/2017</u>	<u>Fund Balance</u> <u>12/31/2018</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 4,267,158	\$ 4,487,926	\$ 220,768
Capital improvements	2,604,256	2,765,553	161,297
Reconstruction Improvement	350,006	294,181	(55,825)
Street Department	444,372	479,098	34,726
Other Governmental	2,357,944	2,499,902	141,958
Total	<u>\$ 10,023,736</u>	<u>\$ 10,526,660</u>	<u>\$ 502,924</u>

General Fund

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$4.0 million, or 50 percent of total general fund expenditures. The fund balance of the City's general fund increased \$220,768 during the current year. This represents the amount in which revenues and other financing sources exceeded expenditures and operating transfers.

Capital Improvement Fund

The Capital Improvement Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement fund's fund balance increased \$161,297 during the fiscal year. This increase represents the amount in which revenues and proceeds received from Mary Rutan Hospital for the land purchased in 2017 exceeded expenditures related to long-term liabilities.

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement fund's fund balance decreased \$55,825 during the year. For the most part, this decrease represents the amount in which capital outlays exceeded intergovernmental revenues.

Street Department Fund

The Street Department Fund accounts for the accumulation of financial resources to be used for the construction and maintenance of city streets. The street department funds' fund balance increased \$34,726 during the year. This increase is a result of intergovernmental revenues and other revenue in the fund exceeded transportation expenditures and capital outlays.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

Other Governmental Funds

The fund balance of the City's Other Governmental Funds increased \$141,958 in comparison with the prior year. This increase represents the amount in which program revenues, proceeds from the sale of capital assets, and transfers from the General Fund exceeded program expenditures exceeded during the 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.

Total net position in the Water Fund was \$10.2 million at year-end, an increase of \$92,361 in comparison with the prior year. This increase primarily consists of operating income of \$204,647 during the year, offset by interest and fiscal charges and a loss from the sale of capital assets.

Total net position in the Sewer Fund was \$16.4 million at year-end, an increase of \$379,298 in comparison with the prior year. This increase primarily consists of operating income of \$475,933 during the year, offset by interest and fiscal charges and a loss from the sale of capital assets.

Total net position in the Airport Fund was \$9.5 million at year-end, a decrease of \$40,371 in comparison with the prior year. This decrease primarily consists of an operating loss of \$196,420 during the year, offset by transfers in from the General Fund totaling \$180,000.

Total net position in the Garbage Fund was \$1.3 million at year-end, an increase of \$80,128 in comparison with the prior year. This increase consists of operating income of \$87,666 during the year, offset by other nonoperating expenses and a loss from the sale of capital assets.

Total net position in the Ambulance Fund was \$254,495 (negative net position) at year-end, a decrease of \$273,808 in comparison with the prior year. This decrease primarily consists of an operating loss of \$249,941 during the year, in addition to a loss from the sale of capital assets of \$23,867.

Total net position in the Nonmajor Enterprise Funds at the end of the year amounted to \$308,050, an increase of \$7,258 in comparison with the prior year. By far, the most significant nonmajor enterprise fund is the parking meter fund. Total net position of the parking meter fund increased \$2,754 in comparison with the prior year. This increase consists of operating income of \$3,849 offset by a loss from the sale of capital assets. Public utility trust net position increased \$4,504, which was the fund's operating income.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

General Fund Budgetary Information

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

The City's actual revenues and other financing sources exceeded the final amended revenue estimate by \$323,067. The final amended revenue estimate exceeded the original revenue estimate by \$213,000 as a result of higher revenue expected from charges for services provided by the City, refunds and reimbursements and other revenue. The final amended appropriations exceeded actual expenditures and other financing uses by \$461,018. The final amended appropriations exceeded the original appropriation resolution by \$812,587.

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2018 totaled \$27.2 million (net of accumulated depreciation), a decrease of \$364,379 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, building components, equipment, furniture, vehicles, and infrastructure. This decrease represents the amount in which depreciation (\$1.0 million) and disposals (\$244,220) exceeded current year acquisitions (\$921,825) and transfers (\$609).

The City's investment in capital assets for business-type activities as of December 31, 2018 totals \$37.8 million (net of accumulated depreciation), an increase of \$369,275 in comparison with the prior year. This increase represents the amount in which current year acquisitions (\$1.9 million) exceeded depreciation (\$1.3 million), transfers (\$609), and disposals (\$235,897).

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

Debt

At the end of the current year, the City had total debt outstanding of \$3.9 million. Of this amount, \$3.2 million represents bonds backed by the full faith and credit of the City and the remaining \$697,721 represents interest free loans.

Detailed information regarding long-term debt is included in Note 9 to the basic financial statements.

Contacting the City Auditor's Department

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 10,513,232	\$ 5,782,174	\$ 16,295,406
Investments	85,900	-	85,900
Receivables:			
Taxes	2,260,276	-	2,260,276
Accounts	283,188	1,719,095	2,002,283
Intergovernmental	412,009	-	412,009
Interest	38,417	-	38,417
Note	600,000	-	600,000
Materials and supplies inventory	102,040	169,610	271,650
Prepaid items	75,419	14,742	90,161
Nondepreciable capital assets	7,954,444	2,598,288	10,552,732
Depreciable capital assets, net	19,227,205	35,175,710	54,402,915
Net pension asset	41,047	-	41,047
Total assets	41,593,177	45,459,619	87,052,796
Deferred Outflows of Resources			
Pension	2,063,125	909,207	2,972,332
OPEB	1,075,157	400,039	1,475,196
Total deferred outflows of resources	3,138,282	1,309,246	4,447,528
Liabilities			
Accounts payable	528,696	280,040	808,736
Accrued wages and benefits	126,761	41,835	168,596
Intergovernmental payable	97,304	26,367	123,671
Interest payable	990	7,349	8,339
Retainage payable	-	43,024	43,024
Refundable deposits	-	202,333	202,333
Long-term liabilities			
Due within one year	526,451	465,891	992,342
Due in more than one year	1,499,397	3,060,651	4,560,048
Net pension liability	9,971,372	2,595,457	12,566,829
Net OPEB liability	8,658,123	1,930,194	10,588,317
Total liabilities	21,409,094	8,653,141	30,062,235
Deferred Inflows of Resources:			
Property and other local taxes	618,166	-	618,166
Pension	1,246,416	511,979	1,758,395
OPEB	354,598	112,804	467,402
Total deferred inflows of resources	2,219,180	624,783	2,843,963
Net Position			
Net investment in capital assets	26,398,518	34,686,076	61,084,594
Restricted for:			
Capital projects	565,135	-	565,135
Street maintenance and repair	766,667	-	766,667
Public safety	116,107	-	116,107
Conservation and recreation	7,209	-	7,209
Economic development	602,513	-	602,513
Health	451,600	-	451,600
Judicial	1,169,877	-	1,169,877
Unrestricted	(8,974,441)	2,804,865	(6,169,576)
Total net position	\$ 21,103,185	\$ 37,490,941	\$ 58,594,126

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 2,572,391	\$ 1,045,089	\$ 163,685	\$ -
Public safety	6,247,168	412,673	53,056	22,499
Public works	181,830	-	-	-
Health	164,159	56,276	620	-
Conservation and recreation	780,500	160,167	2,690	-
Economic development	91,673	-	-	-
Transportation	1,595,335	18,304	563,732	341,075
Interest on long-term debt	12,283	-	-	-
Total governmental activities	<u>11,645,339</u>	<u>1,692,509</u>	<u>783,783</u>	<u>363,574</u>
Business-type Activities:				
Water	2,295,136	2,345,713	-	-
Sewer	2,490,391	2,915,777	-	-
Airport	422,337	182,714	19,472	1,850
Garbage	978,359	1,036,432	-	-
Ambulance	841,338	577,740	-	-
Other	7,992	15,989	-	-
Total business-type activities	<u>7,035,553</u>	<u>7,074,365</u>	<u>19,472</u>	<u>1,850</u>
Total government	<u>\$ 18,680,892</u>	<u>\$ 8,766,874</u>	<u>\$ 803,255</u>	<u>\$ 365,424</u>

General Revenues:

- Property taxes
- Income taxes
- Other local taxes
- Unrestricted grants and entitlements
- Unrestricted investment earnings
- Other unrestricted revenues
- Loss on disposal of capital assets
- Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, restated
Net position at end of year

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,363,617)	\$ -	\$ (1,363,617)
(5,758,940)	-	(5,758,940)
(181,830)	-	(181,830)
(107,263)	-	(107,263)
(617,643)	-	(617,643)
(91,673)	-	(91,673)
(672,224)	-	(672,224)
(12,283)	-	(12,283)
<u>(8,805,473)</u>	<u>-</u>	<u>(8,805,473)</u>
-	50,577	50,577
-	425,386	425,386
-	(218,301)	(218,301)
-	58,073	58,073
-	(263,598)	(263,598)
-	7,997	7,997
<u>-</u>	<u>60,134</u>	<u>60,134</u>
<u>(8,805,473)</u>	<u>60,134</u>	<u>(8,745,339)</u>
600,512	-	600,512
6,597,978	-	6,597,978
59,724	-	59,724
219,838	-	219,838
44,649	-	44,649
550,211	176,807	727,018
-	(171,466)	(171,466)
(179,391)	179,391	-
<u>7,893,521</u>	<u>184,732</u>	<u>8,078,253</u>
(911,952)	244,866	(667,086)
22,015,137	37,246,075	59,261,212
<u>\$ 21,103,185</u>	<u>\$ 37,490,941</u>	<u>\$ 58,594,126</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Assets:				
Pooled cash and cash equivalents	\$ 3,905,781	\$ 2,681,553	\$ 519,126	\$ 428,071
Investments	-	-	-	-
Receivables:				
Taxes	2,068,142	-	-	-
Accounts	6,413	-	-	-
Intergovernmental	117,149	-	-	258,710
Interest	38,417	-	-	-
Note	-	300,000	-	-
Prepaid items	5,422	-	-	-
Materials and supplies inventory	-	-	-	102,040
Advances to other funds	-	84,000	-	-
Total assets	\$ 6,141,324	\$ 3,065,553	\$ 519,126	\$ 788,821
Liabilities:				
Accounts payable	\$ 235,660	\$ -	\$ 224,945	\$ 46,837
Accrued wages and benefits	116,143	-	-	3,971
Intergovernmental payable	92,737	-	-	2,442
Advances from other funds	-	-	-	84,000
Total liabilities	444,540	-	224,945	137,250
Deferred Inflows of Resources:				
Unavailable revenue	771,552	300,000	-	172,473
Property and other local taxes	437,306	-	-	-
Total deferred inflows of resources	1,208,858	300,000	-	172,473
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	102,040
Prepaid items	5,422	-	-	-
Advances	-	84,000	-	-
Restricted for:				
Capital projects	-	-	294,181	-
Street maintenance and repair	-	-	-	377,058
Public safety	-	-	-	-
Economic development	-	-	-	-
Health	-	-	-	-
Judicial	-	-	-	-
Conservation and recreation	-	-	-	-
Assigned for:				
Conservation and recreation	66,950	-	-	-
Capital projects	241,231	2,681,553	-	-
General government	91,175	-	-	-
Judicial	633	-	-	-
Public safety	14,238	-	-	-
Public works	548	-	-	-
Transportation	30,490	-	-	-
Unassigned	4,037,239	-	-	-
Total fund balances	4,487,926	2,765,553	294,181	479,098
Total liabilities, deferred inflows, and fund balances	\$ 6,141,324	\$ 3,065,553	\$ 519,126	\$ 788,821

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,417,983	\$ 9,952,514
85,900	85,900
192,134	2,260,276
10,430	16,843
36,150	412,009
-	38,417
300,000	600,000
655	6,077
-	102,040
-	84,000
<u>\$ 3,043,252</u>	<u>\$ 13,558,076</u>
\$ 20,038	\$ 527,480
6,647	126,761
2,125	97,304
-	84,000
<u>28,810</u>	<u>835,545</u>
333,680	1,577,705
180,860	618,166
<u>514,540</u>	<u>2,195,871</u>
-	102,040
655	6,077
-	84,000
197,724	491,905
101,112	478,170
115,604	115,604
302,513	302,513
445,125	445,125
1,229,846	1,229,846
7,097	7,097
4,384	71,334
95,842	3,018,626
-	91,175
-	633
-	14,238
-	548
-	30,490
-	4,037,239
<u>2,499,902</u>	<u>10,526,660</u>
<u>\$ 3,043,252</u>	<u>\$ 13,558,076</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Fund Balances	\$ 10,526,660
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,181,649
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent property taxes receivable	33,020
Income taxes receivable	637,418
Accounts receivable	6,475
Intergovernmental receivable	276,764
Interest receivable	24,028
Note receivable	600,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized premium on bonds	(2,268)
Internal service funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	895,189
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:	
Net pension asset	41,047
Deferred outflows - pension	2,063,125
Deferred inflows - pension	(1,246,416)
Net pension liability	(9,971,372)
Deferred outflows - OPEB	1,075,157
Deferred inflows - OPEB	(354,598)
Net OPEB liability	(8,658,123)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,240,449)
General obligation debt	(783,131)
Accrued interest payable	(990)
 Net Position of Governmental Activities	 <u><u>\$ 21,103,185</u></u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Revenues:				
Property taxes	\$ 451,651	\$ -	\$ -	\$ -
Income taxes	6,305,786	-	-	-
Other local taxes	30,000	-	-	-
Charges for services	541,249	-	-	-
Licenses, permits and fees	106,337	-	-	-
Fines and forfeitures	751,152	-	-	-
Intergovernmental	220,252	-	341,075	524,617
Interest	(121,451)	114,993	13,961	13,360
Rent	-	-	-	-
Donations and contributions	-	-	-	-
Refunds and reimbursements	226,622	-	22,869	18,203
Other	202,226	-	-	101
Total revenues	<u>8,713,824</u>	<u>114,993</u>	<u>377,905</u>	<u>556,281</u>
Expenditures:				
General government:				
Legislative and executive	1,428,725	-	-	-
Judicial	637,554	-	-	-
Public safety	4,577,046	-	-	-
Public works	18,030	-	-	-
Health	105,546	-	-	-
Conservation and recreation	608,798	-	-	-
Economic development	59,372	-	-	-
Transportation	317,262	-	-	490,707
Capital outlay	267,201	-	433,730	36,053
Debt service:				
Principal retirement	33,844	53,696	-	-
Interest and fiscal charges	12,813	-	-	-
Total expenditures	<u>8,066,191</u>	<u>53,696</u>	<u>433,730</u>	<u>526,760</u>
Excess (Deficiency) of revenues over (under) expenditures	647,633	61,297	(55,825)	29,521
Other financing sources (uses):				
Proceeds from sale of capital assets	6,452	100,000	-	5,205
Transfers in	-	-	-	-
Transfers out	(433,317)	-	-	-
Total other financing sources (uses)	<u>(426,865)</u>	<u>100,000</u>	<u>-</u>	<u>5,205</u>
Net change in fund balances	220,768	161,297	(55,825)	34,726
Fund balance at beginning of year	4,267,158	2,604,256	350,006	444,372
Fund balance at end of year	<u>\$ 4,487,926</u>	<u>\$ 2,765,553</u>	<u>\$ 294,181</u>	<u>\$ 479,098</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 168,306	\$ 619,957
-	6,305,786
29,724	59,724
33,410	574,659
166,654	272,991
150,184	901,336
219,380	1,305,324
16,996	37,859
27,170	27,170
43,137	43,137
-	267,694
4,836	207,163
<u>859,797</u>	<u>10,622,800</u>
-	1,428,725
271,258	908,812
383,019	4,960,065
-	18,030
45,045	150,591
31,829	640,627
32,301	91,673
23,051	831,020
260,477	997,461
24,176	111,716
-	12,813
<u>1,071,156</u>	<u>10,151,533</u>
(211,359)	471,267
100,000	211,657
253,317	253,317
-	(433,317)
<u>353,317</u>	<u>31,657</u>
141,958	502,924
2,357,944	10,023,736
<u>\$ 2,499,902</u>	<u>\$ 10,526,660</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

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

Net Change in Fund Balances - Total Governmental Funds	\$ 502,924
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays	921,825
Depreciation	(1,042,593)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.	(243,611)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	(19,445)
Income taxes	292,192
Charges for services	(450)
Intergovernmental revenues	(3,765)
Interest revenues	6,790
Licenses, permits and fees	(19,500)
Sale of land to Mary Rutan	(200,000)
Repayment of bond principal and payments toward pension obligations are expenditures in the government funds, but the repayment reduces long-term liabilities of net position and does not result in an expense in the statement of activities.	111,716
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	952,591
OPEB	15,317
Except for amounts reported as deferred inflows/outflows, changes in the net pension and net OPEB liability are reported as pension expense in the statement of activities.	
Pension	(1,386,483)
OPEB	(650,778)
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of premium on bonds	452
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.	(46,110)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated absences	(103,102)
Accrued interest	78
Change in Net Position of Governmental Activities	<u>\$ (911,952)</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 YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 452,000	\$ 452,000	\$ 454,982	\$ 2,982
Income taxes	6,420,000	6,420,000	6,393,362	(26,638)
Other local taxes	30,000	30,000	30,000	-
Charges for services	392,700	392,700	408,252	15,552
Licenses, permits and fees	96,100	96,100	106,337	10,237
Fines and forfeitures	785,000	785,000	751,152	(33,848)
Intergovernmental	180,000	180,000	215,752	35,752
Interest	120,000	120,000	123,293	3,293
Donations and contributions	100	100	-	(100)
Refunds and reimbursements	470,000	683,000	845,209	162,209
Other	50,150	50,150	202,226	152,076
Total revenues	<u>8,996,050</u>	<u>9,209,050</u>	<u>9,530,565</u>	<u>321,515</u>
Expenditures				
General government:				
Legislative and executive	1,504,288	1,705,535	1,585,207	120,328
Judicial	739,578	745,292	638,040	107,252
Public safety	4,911,812	5,028,434	4,873,743	154,691
Public works	288,607	287,813	266,253	21,560
Health	115,000	105,546	105,546	-
Economic development	58,700	60,133	59,372	761
Transportation	368,899	398,115	350,931	47,184
Capital outlay	92,500	511,786	508,544	3,242
Debt service:				
Principal retirement	38,844	33,844	33,844	-
Interest and fiscal charges	13,813	12,813	12,813	-
Total expenditures	<u>8,132,041</u>	<u>8,889,311</u>	<u>8,434,293</u>	<u>455,018</u>
Excess of Revenues Over/ (Under) Expenditures	864,009	319,739	1,096,272	776,533
Other Financing Sources/(Uses)				
Proceeds from sale of capital assets	-	-	1,652	1,652
Transfers in	100	100	-	(100)
Transfers out	(856,500)	(911,817)	(905,817)	6,000
Total other financing sources/(uses)	<u>(856,400)</u>	<u>(911,717)</u>	<u>(904,165)</u>	<u>7,552</u>
Net change in fund balance	7,609	(591,978)	192,107	784,085
Fund balances at beginning of year	2,633,914	2,633,914	2,633,914	-
Prior year encumbrances appropriated	438,589	438,589	438,589	-
Fund balances at end of year	<u>\$ 3,080,112</u>	<u>\$ 2,480,525</u>	<u>\$ 3,264,610</u>	<u>\$ 784,085</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
STREET DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 535,000	\$ 535,000	\$ 529,491	\$ (5,509)
Interest	6,000	6,000	11,678	5,678
Refunds and reimbursements	9,000	9,000	16,603	7,603
Other	1,000	1,000	101	(899)
Total revenues	<u>551,000</u>	<u>551,000</u>	<u>557,873</u>	<u>6,873</u>
Expenditures				
Transportation	650,567	745,603	611,700	133,903
Capital outlay	40,000	40,000	39,953	47
Total expenditures	<u>690,567</u>	<u>785,603</u>	<u>651,653</u>	<u>133,950</u>
Excess of revenues over/ (under) expenditures	(139,567)	(234,603)	(93,780)	140,823
Other Financing Uses				
Proceeds from sale of capital assets	-	-	5,205	5,205
Advance out	(28,000)	(28,000)	(28,000)	-
Total other financing uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>(22,795)</u>	<u>5,205</u>
Net change in fund balance	(167,567)	(262,603)	(116,575)	146,028
Fund balances at beginning of year	307,452	307,452	307,452	-
Prior year encumbrances appropriated	95,036	95,036	95,036	-
Fund balances at end of year	<u>\$ 234,921</u>	<u>\$ 139,885</u>	<u>\$ 285,913</u>	<u>\$ 146,028</u>

See accompanying notes to the basic financial statements.

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current assets:				
Pooled cash and cash equivalents	\$ 1,642,039	\$ 2,331,828	\$ 182,303	\$ 1,132,135
Receivables:				
Accounts	482,255	609,698	-	117,906
Prepaid items	9,263	-	2,757	-
Materials and supplies inventory	136,674	32,936	-	-
Total current assets	<u>2,270,231</u>	<u>2,974,462</u>	<u>185,060</u>	<u>1,250,041</u>
Noncurrent assets:				
Depreciable capital assets, net	9,334,006	15,719,904	9,315,979	280,607
Nondepreciable capital assets	918,258	642,291	745,305	75,814
Total noncurrent assets	<u>10,252,264</u>	<u>16,362,195</u>	<u>10,061,284</u>	<u>356,421</u>
Total assets	<u>12,522,495</u>	<u>19,336,657</u>	<u>10,246,344</u>	<u>1,606,462</u>
Deferred Outflows of Resources				
Pension	194,535	206,862	-	31,600
OPEB	45,324	39,662	-	7,362
Total deferred outflows of resources	<u>239,859</u>	<u>246,524</u>	<u>-</u>	<u>38,962</u>
Liabilities				
Current liabilities:				
Accounts payable	93,880	68,651	8,431	92,515
Accrued wages and benefits	16,112	17,033	-	1,929
Intergovernmental payable	9,317	10,358	-	1,198
Interest payable	2,461	3,296	1,592	-
Retainage payable	12,011	28,773	-	2,240
Refundable deposits	-	-	-	-
Notes payable	712	22,920	-	-
Bonds payable	87,704	117,429	130,251	-
Compensated absences	43,055	35,606	-	1,567
Total current liabilities	<u>265,252</u>	<u>304,066</u>	<u>140,274</u>	<u>99,449</u>
Noncurrent liabilities:				
Notes payable	3,916	245,640	-	-
Bonds payable	809,292	1,083,573	599,961	-
Compensated absences	188,365	95,431	-	-
Net pension liability	645,564	734,515	-	114,209
Net OPEB liability	439,474	499,961	-	77,752
Total noncurrent liabilities	<u>2,086,611</u>	<u>2,659,120</u>	<u>599,961</u>	<u>191,961</u>
Total liabilities	<u>2,351,863</u>	<u>2,963,186</u>	<u>740,235</u>	<u>291,410</u>
Deferred Inflows of Resources				
Pension	157,062	185,485	-	26,770
OPEB	32,738	45,376	-	5,792
Total deferred inflows of resources	<u>189,800</u>	<u>230,861</u>	<u>-</u>	<u>32,562</u>
Net Position				
Net investment in capital assets	9,356,276	14,900,178	9,331,367	356,421
Unrestricted	864,415	1,488,956	174,742	965,031
Total net position	<u>\$ 10,220,691</u>	<u>\$ 16,389,134</u>	<u>\$ 9,506,109</u>	<u>\$ 1,321,452</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 260,454	\$ 233,415	\$ 5,782,174	\$ 560,718
509,236	-	1,719,095	266,345
2,722	-	14,742	69,342
-	-	169,610	-
<u>772,412</u>	<u>233,415</u>	<u>7,685,621</u>	<u>896,405</u>
455,494	69,720	35,175,710	-
-	216,620	2,598,288	-
<u>455,494</u>	<u>286,340</u>	<u>37,773,998</u>	<u>-</u>
<u>1,227,906</u>	<u>519,755</u>	<u>45,459,619</u>	<u>896,405</u>
474,038	2,172	909,207	-
306,913	778	400,039	-
<u>780,951</u>	<u>2,950</u>	<u>1,309,246</u>	<u>-</u>
15,346	1,217	280,040	1,216
6,632	129	41,835	-
5,402	92	26,367	-
-	-	7,349	-
-	-	43,024	-
-	202,333	202,333	-
-	-	23,632	-
-	-	335,384	-
26,647	-	106,875	-
<u>54,027</u>	<u>203,771</u>	<u>1,066,839</u>	<u>1,216</u>
-	-	249,556	-
-	-	2,492,826	-
34,473	-	318,269	-
1,096,463	4,706	2,595,457	-
909,858	3,149	1,930,194	-
<u>2,040,794</u>	<u>7,855</u>	<u>7,586,302</u>	<u>-</u>
<u>2,094,821</u>	<u>211,626</u>	<u>8,653,141</u>	<u>1,216</u>
139,868	2,794	511,979	-
28,663	235	112,804	-
<u>168,531</u>	<u>3,029</u>	<u>624,783</u>	<u>-</u>
455,494	286,340	34,686,076	-
(709,989)	21,710	2,804,865	895,189
<u>\$ (254,495)</u>	<u>\$ 308,050</u>	<u>\$ 37,490,941</u>	<u>\$ 895,189</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for services	\$ 2,344,261	\$ 2,913,062	\$ 97,030	\$ 1,036,432
Refunds and reimbursements	1,452	2,715	-	-
Rental income	-	-	85,684	-
Other operating revenue	123,536	9,665	-	29,593
Intergovernmental revenue	-	-	19,472	-
Total operating revenues	<u>2,469,249</u>	<u>2,925,442</u>	<u>202,186</u>	<u>1,066,025</u>
Operating Expenses				
Personal services	1,169,031	1,252,750	-	146,044
Contractual services	262,980	416,688	135,552	759,726
Materials and supplies	332,733	72,130	95,338	35,676
Depreciation	455,017	620,423	151,287	21,432
Other operating expenses	44,841	87,518	16,429	15,481
Total operating expenses	<u>2,264,602</u>	<u>2,449,509</u>	<u>398,606</u>	<u>978,359</u>
Operating income (loss)	<u>204,647</u>	<u>475,933</u>	<u>(196,420)</u>	<u>87,666</u>
Nonoperating Revenues (Expenses)				
Grants income	-	-	1,850	-
Interest and fiscal charges	(30,534)	(40,882)	(23,731)	-
Loss on sale of capital assets	(81,752)	(55,753)	(5,321)	(3,678)
Other nonoperating revenue	-	-	3,251	-
Other nonoperating expense	-	-	-	(3,860)
Transfers in	-	-	180,000	-
Total non-operating revenues (expenses)	<u>(112,286)</u>	<u>(96,635)</u>	<u>156,049</u>	<u>(7,538)</u>
Change in net position	92,361	379,298	(40,371)	80,128
Net position at beginning of year, restated	10,128,330	16,009,836	9,546,480	1,241,324
Net position at end of year	<u>\$ 10,220,691</u>	<u>\$ 16,389,134</u>	<u>\$ 9,506,109</u>	<u>\$ 1,321,452</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 577,740	\$ 11,841	\$ 6,980,366	\$ 1,159,907
-	-	4,167	-
-	4,148	89,832	-
13,657	356	176,807	-
-	-	19,472	-
<u>591,397</u>	<u>16,345</u>	<u>7,270,644</u>	<u>1,159,907</u>
687,801	5,375	3,261,001	-
40,328	-	1,615,274	1,206,017
32,322	-	568,199	-
50,472	2,144	1,300,775	-
30,415	473	195,157	-
<u>841,338</u>	<u>7,992</u>	<u>6,940,406</u>	<u>1,206,017</u>
(249,941)	8,353	330,238	(46,110)
-	-	1,850	-
-	-	(95,147)	-
(23,867)	(1,095)	(171,466)	-
-	-	3,251	-
-	-	(3,860)	-
-	-	180,000	-
<u>(23,867)</u>	<u>(1,095)</u>	<u>(85,372)</u>	<u>-</u>
(273,808)	7,258	244,866	(46,110)
19,313	300,792	37,246,075	941,299
<u>\$ (254,495)</u>	<u>\$ 308,050</u>	<u>\$ 37,490,941</u>	<u>\$ 895,189</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 2,336,588	\$ 2,903,587	\$ 219,163	\$ 1,033,376
Other operating receipts	124,988	12,380	39,944	29,593
Cash paid to employees	(996,555)	(1,162,392)	-	(141,684)
Cash paid to suppliers	(547,441)	(455,321)	(230,906)	(728,911)
Cash paid for other expenses	(36,124)	(70,674)	(16,005)	(15,481)
Net cash flows from operating activities	<u>881,456</u>	<u>1,227,580</u>	<u>12,196</u>	<u>176,893</u>
Cash Flows from Noncapital Financing Activities				
Transfers in	-	-	180,000	-
Advances in	-	200,000	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>200,000</u>	<u>180,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(320,200)	(1,359,921)	-	(174,034)
Payment of debt	(84,837)	(135,555)	(120,064)	-
Payment of interest	(31,848)	(42,643)	(22,198)	-
Proceeds from sale of assets	9,131	55,300	-	-
Net cash flows from capital and related financing activities	<u>(427,754)</u>	<u>(1,482,819)</u>	<u>(142,262)</u>	<u>(174,034)</u>
Net change in cash	453,702	(55,239)	49,934	2,859
Cash and cash equivalents at beginning of year	1,188,337	2,387,067	132,369	1,129,276
Cash and cash equivalents at end of year	<u>\$ 1,642,039</u>	<u>\$ 2,331,828</u>	<u>\$ 182,303</u>	<u>\$ 1,132,135</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 204,647	\$ 475,933	\$ (196,420)	\$ 87,666
Add depreciation expense	455,017	620,423	151,287	21,432
(Increase)/Decrease in current assets and deferred outflows				
Accounts receivable	(7,673)	(9,475)	36,449	(3,056)
Intergovernmental receivable	-	-	20,472	-
Prepaid expenses	145	3,104	(2,382)	-
Materials and supplies inventory	133	(12,504)	-	-
Deferred outflows of resources - pension	172,745	234,873	-	34,434
Deferred outflows of resources - OPEB	(38,841)	(32,466)	-	(6,269)
Increase/(Decrease) in current liabilities and deferred inflows				
Accounts payable	73,233	47,935	2,790	64,251
Accrued wages	1,318	4,331	-	(36)
Compensated absences	36,687	(16,212)	-	(17,013)
Intergovernmental payable	(359)	908	-	(110)
Refundable deposits	-	-	-	-
Retainage payable	8,838	11,806	-	2,240
Net pension liability	(247,781)	(349,579)	-	(46,112)
Net OPEB liability	49,904	27,164	-	7,858
Deferred inflows of resources - pension	140,705	175,963	-	25,816
Deferred Inflows of resources - OPEB	32,738	45,376	-	5,792
Net cash flows from operating activities	<u>\$ 881,456</u>	<u>\$ 1,227,580</u>	<u>\$ 12,196</u>	<u>\$ 176,893</u>
Non cash investing, capital, and financing activities:				
Capital Asset Disposals	<u>\$ 90,883</u>	<u>\$ 111,053</u>	<u>\$ 5,321</u>	<u>\$ 3,678</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 534,025	\$ 33,251	\$ 7,059,990	\$ 893,562
13,657	356	220,918	-
(341,521)	(5,422)	(2,647,574)	-
(92,083)	-	(2,054,662)	(1,181,781)
(27,989)	(15,641)	(181,914)	-
<u>86,089</u>	<u>12,544</u>	<u>2,396,758</u>	<u>(288,219)</u>
-	-	180,000	-
-	-	200,000	-
-	-	<u>380,000</u>	-
(52,401)	-	(1,906,556)	-
-	-	(340,456)	-
-	-	(96,689)	-
-	-	64,431	-
<u>(52,401)</u>	<u>-</u>	<u>(2,279,270)</u>	<u>-</u>
33,688	12,544	497,488	(288,219)
226,766	220,871	5,284,686	848,937
<u>\$ 260,454</u>	<u>\$ 233,415</u>	<u>\$ 5,782,174</u>	<u>\$ 560,718</u>

\$ (249,941)	\$ 8,353	\$ 330,238	\$ (46,110)
50,472	2,144	1,300,775	-
(43,715)	-	(27,470)	(266,345)
-	-	20,472	-
3,353	81	4,301	38,020
-	-	(12,371)	-
(320,668)	(34)	121,350	-
(305,240)	(727)	(383,543)	-
(21,414)	89	166,884	(13,784)
(4,111)	43	1,545	-
(11,582)	-	(8,120)	-
(1,943)	7	(1,497)	-
-	1,924	1,924	-
-	-	22,884	-
425,517	(63)	(218,018)	-
430,538	1,028	516,492	-
106,160	(536)	448,108	-
28,663	235	112,804	-
<u>\$ 86,089</u>	<u>\$ 12,544</u>	<u>\$ 2,396,758</u>	<u>\$ (288,219)</u>
<u>\$ 23,867</u>	<u>\$ 1,095</u>	<u>\$ 235,897</u>	<u>\$ -</u>

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AS OF DECEMBER 31, 2018

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 20,920	\$ 28,129
Cash in segregated account	-	102,560
Investments	60,000	-
Total assets	80,920	130,689
Liabilities		
Deposits held and due to others	-	28,129
Undistributed assets	-	102,560
Total liabilities	-	130,689
Net Position		
Net position held in trust	\$ 80,920	\$ -

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 265
Other revenue	<u>128</u>
Total additions	<u>393</u>
Deductions	
Endowments	<u>905</u>
Total deductions	<u>905</u>
Change in net position	(512)
Net position at beginning of year	<u>81,432</u>
Net position at end of year	<u><u>\$ 80,920</u></u>

See accompanying notes to the basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. The City has no 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).

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 improvement 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 used to account for financial resources to be used for the right-of-way acquisition and subsequent resurfacing of a major highway.

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

The government reports the following major proprietary funds:

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

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

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

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

The *ambulance fund* accounts for the City's ambulance activities.

Additionally, the government reports the following fund types:

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 balance sheet and statement of net position.

During 2018, the City's investments consisted solely of negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market prices.

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

D. Receivables and Payables

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

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

E. Notes Receivable

Notes receivable represents the right to receive repayment for a note made by the City. This note is based upon a written agreement between the City and the note recipient.

F. Inventories and Prepaid Items

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 acquisition value at the date of donation.

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

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

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, other postemployment benefits (OPEB), and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenues include delinquent property taxes, income taxes, charges for services, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (See Notes 10 and 11).

I. Pensions/Other Postemployment Benefits (OPEB)

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

J. Compensated Absences

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

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

K. Long-Term Obligations

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance

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

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

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

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

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

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

M. 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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. Net Position

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City did not have any extraordinary or special items during fiscal year 2018.

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

	General Fund	Street Department Fund
GAAP Basis	\$ 220,768	\$ 34,726
Parks and Recreation Change	16,022	-
Revenue Accruals	949,738	1,592
Expenditure Accruals	(455,560)	17,265
Other Financing Sources	-	(28,000)
Encumbrances	(538,861)	(142,158)
Budget Basis	\$ 192,107	\$ (116,575)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$1,599,038 and the bank balance was \$1,728,760. Of the bank balance, \$509,203 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining was uninsured and collateralized. The City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments - As of December 31, 2018, the City had \$14,993,877 invested in negotiable certificates of deposit.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments reported at fair value are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less. At December 31, 2018, the market value of negotiable certificates of deposit maturing in calendar years 2019, 2020, 2021, 2022, and 2023 were \$3,640,875, \$1,127,689, \$2,698,313, \$4,260,661, and \$3,266,339, respectively.

Credit Risk. The City's negotiable certificates of deposit are unrated. The City has no investment policy that addresses credit risk.

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

NOTE 5 – NOTES RECEIVABLE

During 2017, the City transferred property to Mary Rutan Hospital. In return, Mary Rutan Hospital agreed to compensate the City with a \$1,000,000 note. Mary Rutan Hospital made payments, totaling \$200,000, during 2018. At December 31, 2018, the balance of the note was \$600,000.

NOTE 6 - TAXES

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 later payment dates to be established.

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 – TAXES (CONTINUED)

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2018. The assessed valuation of the City for tax year 2017, which were used to collect taxes in calendar year 2018 was \$217,708,410

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.

NOTE 7 – TAX ABATEMENTS

Ohio Enterprise Zone Program

The Ohio Enterprise Zone Program is an economic development tool used by the County that provides real and personal property tax exemptions to businesses making investments in the County. The tax being abated is real property tax. The tax incentives are negotiated by the County and the enterprise zone agreement must be in place before the project begins. The Ohio Enterprise Zone Program is part of chapter 5709 of the Ohio Revised Code.

The County’s Enterprise Zone’s geographic area is determined by the County. Resolution number 466-95 passed by the County sets forth the area of the County that can negotiate an enterprise zone agreement.

The taxes are abated by exempting a percentage of certain assessed valuation of the property for a period of time, in exchange for a commitment to purchase, remodel, and/or construct properties that will improve property value and/or bring/retain jobs to/within the County.

The Tax Incentive Review Council meets annually to review the exemptions and to determine whether the company is maintaining their end of the agreement. If an agreement is terminated by the Review Council, the assessed valuation of the property will be set at it’s fair market valuation with no additional exemption allowed. The gross dollar amount by which the taxes were reduced to the City for 2018 was as follows:

<u>Company</u>	<u>Term</u>	<u>Percent</u>	<u>Amount</u>
AcuSport Corporation	2015-2025	75%	\$12,918
ISS America, Inc.	2015-2025	75%	978
			\$13,896

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2018, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 8,008,480	\$ -	\$ (60,480)	\$ -	\$ 7,948,000
Construction in Progress	5,195	73,069	(996)	(70,824)	6,444
Total Non-depreciated assets	<u>8,013,675</u>	<u>73,069</u>	<u>(61,476)</u>	<u>(70,824)</u>	<u>7,954,444</u>
Capital assets, being depreciated:					
Land Improvements	5,834,027	-	(1,220)	-	5,832,807
Buildings	4,978,515	-	(28,614)	-	4,949,901
Building Components	489,296	39,180	(8,300)	54,590	574,766
Equipment	2,847,501	132,280	(889,360)	-	2,090,421
Furniture	286,411	21,173	(130,669)	-	176,915
Vehicles	3,046,319	200,079	(37,335)	25,498	3,234,561
Infrastructure	20,308,935	456,044	-	16,234	20,781,213
Total depreciated assets	<u>37,791,004</u>	<u>848,756</u>	<u>(1,095,498)</u>	<u>96,322</u>	<u>37,640,584</u>
Total capital assets	<u>45,804,679</u>	<u>921,825</u>	<u>(1,156,974)</u>	<u>25,498</u>	<u>45,595,028</u>
Less accumulated depreciation for:					
Land Improvements	504,184	59,467	(3,283)	-	560,368
Buildings	2,545,893	120,572	(22,230)	-	2,644,235
Building Components	116,389	33,089	(44,434)	-	105,044
Equipment	1,982,448	103,031	(703,640)	-	1,381,839
Furniture	222,432	4,767	(108,504)	-	118,695
Vehicles	2,168,858	151,801	(30,663)	24,889	2,314,885
Infrastructure	10,718,447	569,866	-	-	11,288,313
Total accumulated depreciation	<u>18,258,651</u>	<u>1,042,593</u>	<u>(912,754)</u>	<u>24,889</u>	<u>18,413,379</u>
Total depreciable assets, net	<u>19,532,353</u>	<u>(193,837)</u>	<u>(182,744)</u>	<u>71,433</u>	<u>19,227,205</u>
Total capital assets, net	<u>\$ 27,546,028</u>	<u>\$ (120,768)</u>	<u>\$ (244,220)</u>	<u>\$ 609</u>	<u>\$ 27,181,649</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 69,446
Health	7,492
Judicial	22,301
Legislative and Executive	84,367
Public Safety	135,377
Public Works	139,238
Transportation	584,372
Total	<u>\$ 1,042,593</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2018, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 1,784,949	\$ 247,444	\$ (4,000)	\$ -	\$ 2,028,393
Construction in Progress	23,716	829,628	-	(283,449)	569,895
Total Non-depreciated assets	<u>1,808,665</u>	<u>1,077,072</u>	<u>(4,000)</u>	<u>(283,449)</u>	<u>2,598,288</u>
Capital assets, being depreciated:					
Land Improvements	8,490,683	136,632	(14,433)	-	8,612,882
Buildings	13,799,021	97,059	(1,176)	283,449	14,178,353
Building Components	135,605	-	(4,600)	-	131,005
Equipment	6,217,478	31,138	(603,263)	-	5,645,353
Furniture	101,238	-	(28,466)	-	72,772
Vehicles	1,987,133	497,296	(310,109)	(25,498)	2,148,822
Infrastructure	21,044,877	67,359	(21,996)	-	21,090,240
Total depreciated assets	<u>51,776,035</u>	<u>829,484</u>	<u>(984,043)</u>	<u>257,951</u>	<u>51,879,427</u>
Total capital assets	<u>53,584,700</u>	<u>1,906,556</u>	<u>(988,043)</u>	<u>(25,498)</u>	<u>54,477,715</u>
Less accumulated depreciation for:					
Land Improvements	659,210	56,536	(10,610)	-	705,136
Buildings	4,159,069	193,051	(1,059)	-	4,351,061
Building Components	30,866	8,059	(414)	-	38,511
Equipment	3,152,249	277,831	(426,201)	-	3,003,879
Furniture	44,371	6,082	(21,633)	-	28,820
Vehicles	1,024,432	157,667	(277,897)	(24,889)	879,313
Infrastructure	7,109,780	601,549	(14,332)	-	7,696,997
Total accumulated depreciation	<u>16,179,977</u>	<u>1,300,775</u>	<u>(752,146)</u>	<u>(24,889)</u>	<u>16,703,717</u>
Total depreciable assets, net	<u>35,596,058</u>	<u>(471,291)</u>	<u>(231,897)</u>	<u>282,840</u>	<u>35,175,710</u>
Total capital assets, net	<u>\$ 37,404,723</u>	<u>\$ 605,781</u>	<u>\$ (235,897)</u>	<u>\$ (609)</u>	<u>\$ 37,773,998</u>

Depreciation expense was charged to governmental functions as follows:

Water	\$ 455,017
Sewer	620,423
Airport	151,287
Garbage	21,432
Ambulance	50,472
Other Nonmajor	2,144
Total	<u>\$ 1,300,775</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Restated Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
2010 Energy Project Bonds, 2-3.75%, 2027	392,442	-	(33,844)	358,598	35,284
OPWC Street Resurfacing, 0%, 2019	45,000	-	(30,000)	15,000	15,000
OPWC Roadway Improvement	187,709	-	(11,731)	175,978	11,732
OPWC Whispering Pines Resurfacing, 0%, 2036	221,345	-	(11,965)	209,380	11,965
Logan County Loan, 0%, 2019	48,351	-	(24,176)	24,175	24,175
Unamortized premium on sale of bonds	2,720	-	(452)	2,268	-
Compensated Absences Payable	1,137,347	314,312	(211,210)	1,240,449	428,295
Net Pension Liability	11,386,980	-	(1,415,608)	9,971,372	-
Net OPEB Liability	7,339,391	1,318,732	-	8,658,123	-
Total Governmental Activities	<u>20,761,285</u>	<u>1,633,044</u>	<u>(1,738,986)</u>	<u>20,655,343</u>	<u>526,451</u>
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Airport Improvement Refunding, 2.57%, 2023	798,999	-	(115,667)	683,332	125,667
OPWC Waterline Replacement, 0%, 2025	5,341	-	(713)	4,628	712
OPWC Storm Water Drainage, 0%, 2028	88,200	-	(8,400)	79,800	8,400
OPWC Wastewater Treatment Plant Upgrade, 0%, 2031	203,280	-	(14,520)	188,760	14,520
2010 Energy Project Bonds 2-3%, 2027	2,332,558	-	(201,156)	2,131,402	209,717
Unamortized premium on sale of bonds	16,159	-	(2,683)	13,476	-
Compensated Absences Payable	433,264	102,259	(110,379)	425,144	106,875
Net Pension Liability	2,813,475	-	(218,018)	2,595,457	-
Net OPEB Liability	1,413,702	516,492	-	1,930,194	-
Total Business-Type Activities	<u>8,104,978</u>	<u>618,751</u>	<u>(671,536)</u>	<u>8,052,193</u>	<u>465,891</u>
Total Long-Term Obligations	<u>\$ 28,866,263</u>	<u>\$ 2,251,795</u>	<u>\$ (2,410,522)</u>	<u>\$ 28,707,536</u>	<u>\$ 992,342</u>

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.

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

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2018 (See Note 12). The compensated absences will be paid from the funds in which the employees' salaries are paid.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the funds in which the employees' salaries are paid. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

During 2012, the City entered into a loan arrangement through the Ohio Public Works Commission (OPWC) to fund various roadway improvements. The loan amount was in the amount of \$234,637.

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

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

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

During 2015, the City entered into a loan arrangement through the OPWC. The loan was for the funding of the Whispering Pines subdivision resurfacing. The OPWC loan amount was \$239,291.

Also in 2015, the City issued \$1,126,000 in Airport Improvement Refunding Bonds for the purpose of refinancing the outstanding 2004 Airport Improvement General Obligation Bonds. The bonds will be repaid from the Airport fund and have interest rate of 2.57 percent. As a result of this refunding, the City reduced its total debt requirements by \$111,811.

During 2016, the City entered into an interest free loan agreement with Logan County in the amount of \$96,703 for the purpose of upgrading the City's 911 system. The loan carries an interest rate of 0 percent and matures in 2019.

A summary of the City's future debt service requirements as of December 31, 2018 were as follows:

Year	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	Principal	Interest	Principal	Interest
2019	\$ 98,156	\$ 11,882	\$ 359,016	\$ 88,188
2020	59,700	10,824	368,295	78,664
2021	61,141	9,744	381,855	68,927
2022	61,860	8,620	391,135	58,723
2023	63,301	7,428	409,691	48,020
2024-2028	290,579	15,891	1,134,370	94,446
2029-2033	118,482	-	43,560	-
2034-2038	29,912	-	-	-
	<u>\$ 783,131</u>	<u>\$ 64,389</u>	<u>\$ 3,087,922</u>	<u>\$ 436,968</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u><u>14.0 %</u></u>
Employee	<u><u>10.0 %</u></u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$549,007 for 2018. Of this amount, \$49,784 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced.

Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$677,018 for 2018. Of this amount \$69,811 is reported as an intergovernmental payable.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension (asset)/liability for OPERS was measured as of December 31, 2017, and the total pension (asset)/liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017 and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension (asset)/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/(Asset)				
Current Measurement Date	0.026638%	0.030152%	0.136664%	
Prior Measurement Date	0.026551%	0.028263%	0.129007%	
Change in Proportionate Share	<u>0.000087%</u>	<u>0.001889%</u>	<u>0.0076570%</u>	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 4,179,142	\$ (41,047)	\$ 8,387,687	\$ 12,525,782
Pension Expense	\$ 924,166	\$ 226	\$ 1,086,965	\$ 2,011,357

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

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 4,268	\$ -	\$ 127,289	\$ 131,557
Changes of assumptions	499,436	3,587	365,496	868,519
Change in proportionate share	284,091	90	462,050	746,231
City contributions subsequent to the measurement date	538,616	10,391	677,018	1,226,025
Total Deferred Outflows of Resources	<u>\$ 1,326,411</u>	<u>\$ 14,068</u>	<u>\$ 1,631,853</u>	<u>\$ 2,972,332</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 82,358	\$ 12,228	\$ 15,173	\$ 109,759
Net difference between projected and actual earnings on pension plan investments	897,207	6,476	290,150	1,193,833
Change in proportionate share	274,519	1,336	178,948	454,803
Total Deferred Inflows of Resources	<u>\$ 1,254,084</u>	<u>\$ 20,040</u>	<u>\$ 484,271</u>	<u>\$ 1,758,395</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$1,226,025 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPERS	OP&F	Total
	Traditional Plan	Combined Plan		
2019	\$ 379,374	\$ (2,219)	\$ 265,619	\$ 642,774
2020	(95,444)	(2,397)	184,401	86,560
2021	(522,510)	(3,849)	(151,498)	(677,857)
2022	(227,709)	(3,695)	(31,532)	(262,936)
2023	-	(1,421)	164,216	162,795
Thereafter	-	(2,782)	39,358	36,576
Total	\$ (466,289)	\$ (16,363)	\$ 470,564	\$ (12,088)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre-1/7/13 Retirees: 3 percent, simple Post-1/7/13 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	\$ 7,420,814	\$ 4,179,142	\$ 1,476,278
Combined Plan	(22,312)	(41,047)	(53,972)

Actuarial Assumptions – OPF

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Valuation Date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption	5 year period ended December 31, 2016
Experience Study Date	
Investment Rate of Return	8.00 percent
Cost of Living Increases (COLA)	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates as follows, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent. For ages 67 or less, rates for police and fire are 77 percent and 68 percent, respectively. For ages 68 to 77, rates for police and fire are 105 percent and 87 percent, respectively. For ages 78 and up, rates for police and fire are 115 percent and 120 percent, respectively. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the following rates and projected with the Conduit Modified 2016 Improvement Scale. Rates for ages 59 or less for police and fire are 35 percent. Rates for ages 60 to 69 for police and fire are 60 percent and 45 percent, respectively. Rates for ages 70 to 79 for police and fire are 75 percent and 70 percent, respectively. Rates for ages 80 and up for police and fire are 100 percent and 90 percent, respectively.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 11,627,533	\$ 8,387,687	\$ 5,745,296

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City’s contractually required contribution to OP&F was \$16,306 for 2018. Of this amount \$1,679 is reported as an intergovernmental payable.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0262000%	0.13666400%	
Prior Measurement Date	0.0260321%	0.12900700%	
Change in Proportionate Share	<u>-0.0001679%</u>	<u>0.0076570%</u>	
Proportionate Share of the Net OPEB Liability	\$ 2,845,127	\$ 7,743,190	\$ 10,588,317
OPEB Expense	\$ 244,686	\$ 652,834	\$ 897,520

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 2,215	\$ -	\$ 2,215
Changes of assumptions	207,154	755,571	962,725
Change in proportionate share	176,848	317,102	493,950
City contributions subsequent to the measurement date	-	16,306	16,306
Total Deferred Outflows of Resources	<u>\$ 386,217</u>	<u>\$ 1,088,979</u>	<u>\$ 1,475,196</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 39,053	\$ 39,053
Net difference between projected and actual earnings on OPEB plan investments	211,944	50,970	262,914
Change in proportionate share	165,435	-	165,435
Total Deferred Inflows of Resources	<u>\$ 377,379</u>	<u>\$ 90,023</u>	<u>\$ 467,402</u>

\$16,306 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	\$ 52,573	\$ 138,370	\$ 190,943
2020	52,573	138,370	190,943
2021	(43,319)	138,370	95,051
2022	(52,989)	138,368	85,379
2023	-	151,112	151,112
Therafter	-	278,060	278,060
Total	<u>\$ 8,838</u>	<u>\$ 982,650</u>	<u>\$ 991,488</u>

Actuarial Assumptions - OPERS

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(2.85%)</u>	<u>(3.85%)</u>	<u>(4.85%)</u>
City's proportionate share of the net OPEB liability	\$3,779,874	\$2,845,127	\$2,088,926

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$2,722,180	\$2,845,127	\$2,972,128

Actuarial Assumptions – OP&F

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

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

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

Note: Assumptions are geometric

* levered 2x

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City’s proportionate share of the net OPEB liability	\$9,679,082	\$7,743,190	\$6,253,608

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$6,015,050	\$7,743,190	\$10,072,140

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

NOTE 12 - 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 workdays. 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, 2018, the City’s liability for accumulated unpaid sick leave was \$719,078. A liability of \$499,974 has been recognized in the governmental activities and \$219,104 has been recognized in the business-type activities. In addition, the City’s liability for accrued vacation, compensatory and bonus accumulation was \$946,515. A liability of \$740,475 has been recognized in the governmental activities and \$206,040 has been recognized in the business-type activities.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 – CONTINGENCIES

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

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

NOTE 14 – INTERFUND TRANSFERS/BALANCES

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 433,317
Other Governmental Funds	253,317	-
Airport Fund	180,000	-
	<u>\$ 433,317</u>	<u>\$ 433,317</u>

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code.

In addition, there were several capital asset transfers during the year, as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities	\$ 3,860	\$ 3,251
Refuse Fund	-	3,860
Airport Fund	3,251	-
	<u>\$ 7,111</u>	<u>\$ 7,111</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 – INTERFUND TRANSFERS/BALANCES (CONTINUED)

Interfund balances at December 31, 2018 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
Capital Improvement	\$ 112,000	\$ 100,000	\$ (128,000)	\$ 84,000
Street Department	(112,000)	-	28,000	(84,000)
Reconstruction Improvement	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total Governmental Activities	<u>(200,000)</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Sewer Fund	200,000	-	(200,000)	-
Garbage Fund	-	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 200,000</u>	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>

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

NOTE 15 - CONDUIT DEBT OBLIGATIONS

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

The original issuance for the Revenue Bonds in 2006 was \$15,000,000. In addition, the original issuance for the Revenue Bonds in 2017 was \$11,000,000. As of December 31, 2018, the revenue bonds outstanding were \$4,430,000 and \$11,000,00, respectively.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 – LIABILITY INSURANCE

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

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

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City implemented GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported December 31, 2017:

	Governmental Activites	Business-type Activities
Net Position December 31, 2017	\$ 29,317,240	\$ 38,643,281
Adjustments:		
Net OPEB Liability	(7,339,391)	(1,413,702)
Deferred Outflows - Payments Subsequent to Measurement Date	37,288	16,496
Restated Net Position December 31, 2017	<u>\$ 22,015,137</u>	<u>\$ 37,246,075</u>

	Water	Sewer	Garbage	Ambulance	Nonmajor Enterprise
Net Position December 31, 2017	\$ 10,511,417	\$ 16,475,437	\$ 1,310,125	\$ 496,960	\$ 302,862
Adjustments:					
Net OPEB Liability	(389,570)	(472,797)	(69,894)	(479,320)	(2,121)
Deferred Outflows - Payments Subsequent to Measurement Date	6,483	7,196	1,093	1,673	51
Restated Net Position December 31, 2017	<u>\$ 10,128,330</u>	<u>\$ 16,009,836</u>	<u>\$ 1,241,324</u>	<u>\$ 19,313</u>	<u>\$ 300,792</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (CONTINUED)

For fiscal year 2018, the City implemented GASB Statement No. 85 “*Omnibus 2017*” which addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the City.

For fiscal year 2018, the City implemented GASB Statement No. 86 “*Certain Debt Extinguishment Issues*” which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2018, the City early implemented GASB Statement No. 89 “*Accounting for Interest Cost Incurred before the End of a Construction Period*” which addresses capitalizing interest. As a result of the early implementation of this statement, the City did not capitalize interest costs associated with construction projects during the year.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Five Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension (Asset)/Liability					
Traditional Plan	0.026638%	0.026551%	0.026539%	0.026567%	0.026567%
Combined Plan	0.030152%	0.028263%	0.028510%	0.026397%	0.026397%
City's Proportionate Share of the Net Pension (Asset)/Liability					
Traditional Plan	\$ 4,179,142	\$ 6,029,281	\$ 4,596,890	\$ 3,204,278	\$ 3,131,903
Combined Plan	(41,047)	(15,730)	(13,873)	(10,163)	(2,770)
City's Covered Payroll	\$ 3,781,738	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	109.42%	173.34%	132.66%	94.92%	93.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Traditional Plan	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	137.28%	116.55%	116.90%	114.83%	104.56%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND

Last Five Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.136664%	0.129007%	0.133363%	0.1305117%	0.1305117%
City's Proportionate Share of the Net Pension Liability	\$ 8,387,687	\$ 8,171,174	\$ 8,579,335	\$ 6,761,050	\$ 6,356,329
City's Covered Payroll	\$ 3,193,277	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	262.67%	299.23%	315.40%	258.00%	255.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Six Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 549,007	\$ 491,626	\$ 416,297	\$ 414,567	\$ 403,816	\$ 434,036
Contributions in Relation to the Contractually Required Contribution	<u>\$ (549,007)</u>	<u>\$ (491,626)</u>	<u>\$ (416,297)</u>	<u>\$ (414,567)</u>	<u>\$ (403,816)</u>	<u>\$ (434,036)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,921,479	\$ 3,781,738	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

Last Seven Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 677,018	\$ 664,043	\$ 571,435	\$ 569,894	\$ 546,183	\$ 444,932	\$ 352,766
Contributions in Relation to the Contractually Required Contribution	<u>\$ (677,018)</u>	<u>\$ (664,043)</u>	<u>\$ (571,435)</u>	<u>\$ (569,894)</u>	<u>\$ (546,183)</u>	<u>\$ (444,932)</u>	<u>\$ (352,766)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,261,277	\$ 3,193,277	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471	\$ 2,416,073
Contributions as a Percentage of Covered Payroll	20.76%	20.80%	20.93%	20.95%	20.84%	17.92%	14.60%

(1) This schedule is intended to show information for ten years. Information prior to 2012 is not available.

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.026200%	0.0260321%
City's Proportionate Share of the Net OPEB Liability	\$ 2,845,127	\$ 2,629,421
City's Covered Payroll	\$ 3,781,738	\$ 3,469,141
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	75.23%	75.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION FUND

Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.136664%	0.129007%
City's Proportionate Share of the Net OPEB Liability	\$ 7,743,190	\$ 6,123,672
City's Covered Payroll	\$ 3,193,277	\$ 2,730,714
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	242.48%	224.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	18.00%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Six Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ -	\$ 37,817	\$ 69,383	\$ 69,095	\$ 68,376	\$ 33,373
Contributions in Relation to the Contractually Required Contribution	<u>\$ -</u>	<u>\$ (37,817)</u>	<u>\$ (69,383)</u>	<u>\$ (69,095)</u>	<u>\$ (68,376)</u>	<u>\$ (33,373)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,921,479	\$ 3,781,738	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.03%	1.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

Last Seven Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 16,306	\$ 15,967	\$ 13,654	\$ 13,601	\$ 13,174	\$ 87,420	\$ 161,976
Contributions in Relation to the Contractually Required Contribution	<u>\$ (16,306)</u>	<u>\$ (15,967)</u>	<u>\$ (13,654)</u>	<u>\$ (13,601)</u>	<u>\$ (13,174)</u>	<u>\$ (87,420)</u>	<u>\$ (161,976)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,261,277	\$ 3,193,277	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471	\$ 2,416,073
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	3.52%	6.70%

(1) This schedule is intended to show information for ten years. Information prior to 2012 is not available.

See accompanying notes to the required supplementary information.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Pension Liability – Ohio Public Employees Retirement System

Changes of benefit terms - There were no significant changes of benefit terms in 2018.

Changes of assumptions - Amounts reported in 2017 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. There were no significant changes of benefit terms in 2018.

Net Pension Liability – Ohio Police and Fire Pension System

Changes of benefit terms - There were no significant changes of benefit terms in 2018.

Changes of assumptions - Amounts reported in 2018 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.25% down to 8.00%, for the defined benefit investments.

Net OPEB Liability – Ohio Public Employees Retirement System

Changes of benefit terms - There were no significant changes of benefit terms in 2018.

Changes of assumptions - For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Net OPEB Liability – Ohio Police and Fire Pension System

Changes of benefit terms - There were no significant changes of benefit terms in 2018.

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

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2019, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2019

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph 101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City prepared its annual financial statements for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Principles (GAAP). The City performed annual inventory observations; however the inventory records did not include the proper prices for all items held in inventory partly due to the City contacting the vendor and obtaining the 2019 prices rather than utilizing the last invoice price. Several overstated inventory prices were included on the inventory observation count sheets, which ultimately resulted in overstated amounts on the financial statements for materials and supplies inventory. The financial statements were adjusted to decrease the Street Fund's materials and supplies inventory by \$37,820 and increase transportation expenditures by the same amount. Additionally, the inventory observations were completed at the beginning of December, instead of at the end of the month, which caused variances to occur between the updated listing of inventory items and the inventory count sheets. The City did not maintain documentation indicating why the update occurred after the count was conducted.

In addition to the adjustment listed above, we have also identified additional immaterial misstatements which have not been adjusted on the accompanying financial statements ranging from \$5,000 to \$83,771, which have been brought to the City's attention.

The City should establish and implement procedures to prepare and maintain complete and accurate records for inventory, including maintaining invoices and/or other written documentation to support the cost of inventory items and maintaining documentation to support why a change in inventory amount is warranted after the count is conducted. The specific needs of the City should be considered when implementing these controls. A reconciliation of items used versus items purchased should be performed to help provide for the proper recording of inventory activity. In addition, to improve the accuracy and completeness of the City's basic financial statements and to provide for comparative financial statements from year to year, the City should implement procedures to review the basic financial statements. Failure to do so could result in materially misstated financial statements and unreliable financial information being provided to users of the financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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
JANUARY 9, 2020**