

CITY OF BELLEFONTAINE

AUDIT REPORT

For the Year Ended December 31, 2002

CHARLES E. HARRIS & ASSOCIATES, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Bellefontaine, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 1, 2003

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CITY OF BELLEFONTAINE
LOGAN COUNTY
AUDIT REPORT
For the Year Ended December 31, 2002

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CITY OF BELLEFONTAINE
AUDIT REPORT
For the Year Ended December 31, 2002

ELECTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>PERIOD</u>
Robert C. Lentz	Mayor	1/1/00 to 12/31/03		
William R. Patterson	President of Council	1/1/01 to 12/31/03		
K. Dale King	Auditor	1/1/00 to 12/31/03	\$50,000 A	4/01-4/03
Joe L. Yoakam	Treasurer	1/1/02 to 12/31/05	\$50,000 A	1/02-12/05
David Haw	Council Member 1 st . Ward	1/1/02 to 12/31/03		
Linda Erwin-Hutchins	Council Member 2 nd . Ward	1/1/02 to 12/31/03		
Edwin Dougherty	Council Member 3 rd . Ward	1/1/02 to 12/31/03		
Kerri Sullivan	Council Member 4 th . Ward	1/1/02 to 12/31/03		
Rick Gildow	Council Member	1/1/02 to 12/31/03		
Don Horn	Council Member	1/1/02 to 12/31/03		
David Henry	Council Member	1/1/02 to 12/31/03		
John Ross	Municipal Court Judge	1/1/00 to 12/31/05		

Statutory Legal Council

Howard Traul II
Director of Law
1111 Rush Ave.
Bellefontaine, Ohio 43311

(A) Cincinnati Insurance Company

CITY OF BELLEFONTAINE
AUDIT REPORT
For the Year Ended December 31, 2002

APPOINTED OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Garon Carmean	Safety/Service Director	Continuous
Tim Notestine	City Engineer	Continuous
Brad Kunze	Chief of Police	Continuous
Jeff Holycross	Fire Chief	Continuous

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general purpose financial statements of the City of Bellefontaine (the City), as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.
April 4, 2003

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 1,510,259	\$ 770,189	\$ 24,044	\$ 5,942,505
Cash and Cash Equivalents				
In Segregated Account	-	-	-	-
Receivables:				
Taxes	1,080,125	126,706	-	-
Accounts	-	-	-	28,780
Special Assessments	-	-	235,000	-
Interest	10,508	-	-	1,071
Due From Other Funds	58,550	135	-	4,598
Due From Other Governments	95,185	368,829	-	90,229
Materials and Supplies Inventory	-	24,476	-	-
Notes Receivable	-	35,818	-	-
Prepaid Items	25,546	2,374	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Cash and Cash Equivalents with				
Fiscal & Escrow Agents	-	-	-	-
Deferred Bond Costs	-	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
OTHER DEBITS				
Amount Available for Retirement of Special				
Assessment Bonds	-	-	-	-
To be Provided from General Govt. Resources	-	-	-	-
To be Provided from Special Assessments	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 2,780,173	\$ 1,328,527	\$ 259,044	\$ 6,067,183

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Funds	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 4,304,574	\$ 57,517	\$ 151,006	\$ -	\$ -	\$ 12,760,094
-	-	105,537	-	-	105,537
-	-	-	-	-	1,206,831
566,658	-	-	-	-	595,438
-	-	-	-	-	235,000
1,327	-	-	-	-	12,906
-	-	-	-	-	63,283
1,440	-	-	-	-	555,683
78,282	-	-	-	-	102,758
-	-	-	-	-	35,818
1,800	-	-	-	-	29,720
815,526	-	-	-	-	815,526
97,394	-	-	-	-	97,394
28,276,953	-	-	13,517,306	-	41,794,259
(4,031,511)	-	-	(4,051,842)	-	(8,083,353)
-	-	-	-	24,044	24,044
-	-	-	-	2,244,588	2,244,588
-	-	-	-	210,956	210,956
<u>\$ 30,112,443</u>	<u>\$ 57,517</u>	<u>\$ 256,543</u>	<u>\$ 9,465,464</u>	<u>\$ 2,479,588</u>	<u>\$ 52,806,482</u>

Continued

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY, AND OTHER CREDITS				
LIABILITIES				
Accounts Payable	\$ 88,431	\$ 15,429	-	\$ 11,034
Accrued Wages and Benefits	243,226	55,236	-	-
Compensated Absences Payable	-	-	-	-
Deferred Revenue	532,683	372,812	235,000	-
Deposits Held and Due to Others	-	-	-	-
Due to Other Funds	-	-	-	-
Accrued Interest Payable	-	-	-	-
Claims Payable	-	-	-	-
Pension Obligations Payable	-	-	-	-
Refundable Deposits	-	-	-	-
Notes Payable	-	-	-	2,850,000
Revenue Bonds Payable	-	-	-	-
Undistributed Assets	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Special Assessment Debt with a Government Commitment	-	-	-	-
TOTAL LIABILITIES	864,340	443,477	235,000	2,861,034
FUND EQUITY AND OTHER CREDITS				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Reserved for Debt Service	-	-	-	-
Unreserved	-	-	-	-
Fund Balance:				
Reserved for Encumbrances	174,922	67,774	-	378,943
Reserved for Inventory	-	24,476	-	-
Reserved for Prepaid Items	25,546	2,374	-	-
Reserved for Notes Receivable	-	35,818	-	-
Reserved for Endowments	-	-	-	-
Reserved for Debt Service	-	-	24,044	-
Unreserved Undesignated	1,715,365	754,608	-	2,827,206
TOTAL FUND EQUITY AND OTHER CREDITS	1,915,833	885,050	24,044	3,206,149
TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS	\$ 2,780,173	\$ 1,328,527	\$ 259,044	\$ 6,067,183

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Funds		Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
\$ 215,121	\$ -	\$ 60	\$ -	\$ -	\$ -	\$ 330,075
63,126	-	-	-	-	-	361,588
184,320	-	-	-	-	849,056	1,033,376
1,440	-	-	-	-	-	1,141,935
-	-	1,759	-	-	-	1,759
-	-	63,283	-	-	-	63,283
22,081	-	-	-	-	-	22,081
-	75,296	-	-	-	-	75,296
31,020	-	-	-	-	210,532	241,552
103,058	-	-	-	-	-	103,058
-	-	-	-	-	-	2,850,000
6,120,000	-	-	-	-	-	6,120,000
-	-	42,254	-	-	-	42,254
-	-	-	-	-	1,185,000	1,185,000
-	-	-	-	-	235,000	235,000
<u>6,740,166</u>	<u>75,296</u>	<u>107,356</u>	<u>-</u>	<u>2,479,588</u>	<u>\$</u>	<u>\$ 13,806,257</u>
-	-	-	9,465,464	-	-	9,465,464
12,204,494	-	-	-	-	-	12,204,494
815,526	-	-	-	-	-	815,526
10,352,257	(17,779)	-	-	-	-	10,334,478
-	-	-	-	-	-	621,639
-	-	-	-	-	-	24,476
-	-	-	-	-	-	27,920
-	-	-	-	-	-	35,818
-	-	133,591	-	-	-	133,591
-	-	-	-	-	-	24,044
-	-	15,596	-	-	-	5,312,775
<u>23,372,277</u>	<u>(17,779)</u>	<u>149,187</u>	<u>9,465,464</u>	<u>-</u>	<u>-</u>	<u>39,000,225</u>
<u>\$ 30,112,443</u>	<u>\$ 57,517</u>	<u>\$ 256,543</u>	<u>\$ 9,465,464</u>	<u>\$ 2,479,588</u>	<u>\$</u>	<u>\$ 52,806,482</u>

Continued

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Fiduciary Fund	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES:						
Property Taxes	\$ 471,256	\$ 120,977	\$ -	\$ -	\$ -	\$ 592,233
Income Tax	5,067,013	-	-	-	-	5,067,013
Other Local Taxes	133,624	19,300	-	-	-	152,924
Charges for Services	28,000	186,042	-	211,573	-	425,615
Licenses and Permits	92,546	-	-	-	-	92,546
Fines and Forfeitures	662,773	28,757	-	52,698	-	744,228
Intergovernmental	510,522	774,825	-	3,659,689	-	4,945,036
Special Assessments	-	-	20,000	-	-	20,000
Interest	183,089	4,724	10,813	230,932	-	429,558
Rent	600	-	-	23,547	-	24,147
Donations and Contributions	1,885	2,060	-	-	-	3,945
All Other Revenue	107,294	1,771	-	8,722	-	117,787
Total Revenues	7,258,602	1,138,456	30,813	4,187,161	-	12,615,032
EXPENDITURES:						
General Government:						
Legislative and Executive	1,431,269	-	5,192	-	-	1,436,461
Judicial	636,541	71,105	-	-	-	707,646
Public Safety	3,280,537	202,210	-	-	-	3,482,747
Public Works	264,549	-	-	-	-	264,549
Health	32,945	169,708	-	-	-	202,653
Conservation and Recreation	-	619,852	-	-	-	619,852
Economic Development and Assistance	34,405	412,725	-	-	-	447,130
Transportation	445,642	806,126	-	-	-	1,251,768
Capital Outlay	-	-	-	4,546,934	-	4,546,934
Debt Service:						
Principal Retirement	-	-	535,000	-	-	535,000
Interest and Fiscal Charges	-	-	16,655	146,563	-	163,218
Total Expenditures	6,125,888	2,281,726	556,847	4,693,497	-	13,657,958
Excess of Revenues Over (Under) Expenditures	1,132,714	(1,143,270)	(526,034)	(506,336)	-	(1,042,926)
OTHER FINANCING SOURCES (USES):						
Operating Transfers-In	-	925,415	515,000	107,323	-	1,547,738
Operating Transfers-Out	(1,374,695)	-	-	(515,000)	-	(1,889,695)
Other Financing Sources	-	-	-	11,944	-	11,944
Total Other Financing Sources (Uses)	(1,374,695)	925,415	515,000	(395,733)	-	(330,013)
Excess of Revenues and Other Sources Over/ (Under) Expenditures and Other Uses	(241,981)	(217,855)	(11,034)	(902,069)	-	(1,372,939)
Fund Balance at Beginning of Year (as restated)	2,157,814	1,093,968	35,078	4,108,218	15,596	7,410,674
Increase (Decrease) in Inventory	-	8,937	-	-	-	8,937
Fund Balance at End of Year	\$ 1,915,833	\$ 885,050	\$ 24,044	\$ 3,206,149	\$ 15,596	\$ 6,046,672

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$453,000	\$472,929	\$19,929	\$121,441	\$121,436	(\$5)
Income tax	5,200,000	5,164,789	(35,211)	0	0	0
Other Local Taxes	91,000	141,084	50,084	30,000	27,159	(2,841)
Charges for Services	28,000	28,000	0	178,250	186,041	7,791
Licenses and Permits	88,250	106,641	18,391	0	0	0
Fines and Forfeitures	620,000	647,499	27,499	30,145	30,642	497
Intergovernmental	557,000	512,470	(44,530)	1,203,962	730,802	(473,160)
Special Assessments	0	0	0	0	0	0
Investment income	215,000	173,400	(41,600)	9,300	3,879	(5,421)
Rent	600	600	0	0	0	0
Donations and contributions	1,000	1,885	885	4,500	2,060	(2,440)
Other	81,100	108,525	27,425	3,100	1,771	(1,329)
Total Revenues	7,334,950	7,357,822	22,872	1,580,698	1,103,790	(476,908)
Expenditures:						
General Government:						
Legislative and Executive	1,626,715	1,481,271	145,444	0	0	0
Judicial	743,140	707,048	36,092	79,835	72,206	7,629
Public Safety	3,706,242	3,424,474	281,768	224,693	218,635	6,058
Public Works	297,976	271,004	26,972	0	0	0
Health	41,250	41,250	0	197,584	173,963	23,621
Conservation and recreation	0	0	0	700,283	654,264	46,019
Economic Development	39,400	36,400	3,000	966,252	419,618	546,634
Transportation	577,300	501,262	76,038	956,265	834,573	121,692
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,032,023	6,462,709	569,314	3,124,912	2,373,259	751,653
Excess of Revenues Over/ (Under) Expenditures	302,927	895,113	592,186	(1,544,214)	(1,269,469)	274,745
Other Financing Sources (Uses):						
Proceeds from notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	1,117,343	925,415	(191,928)
Operating Transfers Out	(1,538,195)	(1,374,695)	163,500	(10,000)	0	10,000
Other financing sources	0	0	0	17,242	8,847	(8,395)
Total Other Financing Sources (Uses)	(1,538,195)	(1,374,695)	163,500	1,124,585	934,262	(190,323)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,235,268)	(479,582)	755,686	(419,629)	(335,207)	84,422
Fund Balances at Beginning of Year	1,454,255	1,454,255	0	732,920	732,920	0
Prior Year Encumbrances Appropriated	288,148	288,148	0	289,910	289,910	0
Fund Balances at End of Year	\$507,135	\$1,262,821	\$755,686	\$603,201	\$687,623	\$84,422

Continued

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2002

	Debt Service Fund			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$0	\$0	\$0	\$0	\$0	\$0
Income tax	0	0	0	0	0	0
Other Local Taxes	0	0	0	0	0	0
Charges for Services	0	0	0	209,000	210,857	1,857
Licenses and Permits	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	51,641	51,641	0
Intergovernmental	0	0	0	3,618,739	3,569,460	(49,279)
Special Assessments	34,000	30,813	(3,187)	0	0	0
Investment income	0	0	0	262,675	187,010	(75,665)
Rent	0	0	0	40,000	23,547	(16,453)
Donations and contributions	0	0	0	0	0	0
Other	0	0	0	0	8,722	8,722
Total Revenues	34,000	30,813	(3,187)	4,182,055	4,051,237	(130,818)
Expenditures:						
General Government:						
Legislative and Executive	7,000	5,192	1,808	0	0	0
Judicial	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0
Public Works	0	0	0	0	0	0
Health	0	0	0	0	0	0
Conservation and recreation	0	0	0	0	0	0
Economic Development	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
Capital Outlay	0	0	0	5,295,958	5,081,306	214,652
Debt Service:						
Principal Retirement	20,000	20,000	0	2,418,500	2,415,000	3,500
Interest and Fiscal Charges	16,655	16,655	0	184,720	146,563	38,157
Total Expenditures	43,655	41,847	1,808	7,899,178	7,642,869	256,309
Excess of Revenues Over/ (Under) Expenditures	(9,655)	(11,034)	(1,379)	(3,717,123)	(3,591,632)	125,491
Other Financing Sources (Uses):						
Proceeds from notes	0	0	0	2,850,500	2,850,000	(500)
Operating Transfers In	0	0	0	93,262	107,323	14,061
Operating Transfers Out	0	0	0	0	0	0
Other financing sources	0	0	0	31,470	11,944	(19,526)
Total Other Financing Sources (Uses)	0	0	0	2,975,232	2,969,267	(5,965)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,655)	(11,034)	(1,379)	(741,891)	(622,365)	119,526
Fund Balances at Beginning of Year	35,078	35,078	0	3,242,823	3,242,823	0
Prior Year Encumbrances Appropriated	0	0	0	2,907,958	2,907,958	0
Fund Balances at End of Year	\$25,423	\$24,044	(\$1,379)	\$5,408,890	\$5,528,416	\$119,526

Continued

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2002

	Expendable Trust Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$0	\$0	\$0	\$574,441	\$594,365	\$19,924
Income tax	0	0	0	5,200,000	5,164,789	(35,211)
Other Local Taxes	0	0	0	121,000	168,243	47,243
Charges for Services	0	0	0	415,250	424,898	9,648
Licenses and Permits	0	0	0	88,250	106,641	18,391
Fines and Forfeitures	0	0	0	701,786	729,782	27,996
Intergovernmental	0	0	0	5,379,701	4,812,732	(566,969)
Special Assessments	0	0	0	34,000	30,813	(3,187)
Investment income	0	0	0	486,975	364,289	(122,686)
Rent	0	0	0	40,600	24,147	(16,453)
Donations and contributions	0	0	0	5,500	3,945	(1,555)
Other	0	0	0	84,200	119,018	34,818
Total Revenues	0	0	0	13,131,703	12,543,662	(588,041)
Expenditures:						
General Government:						
Legislative and Executive	0	0	0	1,633,715	1,486,463	147,252
Judicial	0	0	0	822,975	779,254	43,721
Public Safety	0	0	0	3,930,935	3,643,109	287,826
Public Works	0	0	0	297,976	271,004	26,972
Health	0	0	0	238,834	215,213	23,621
Conservation and recreation	0	0	0	700,283	654,264	46,019
Economic Development	0	0	0	1,005,652	456,018	549,634
Transportation	0	0	0	1,533,565	1,335,835	197,730
Capital Outlay	0	0	0	5,295,958	5,081,306	214,652
Debt Service:						
Principal Retirement	0	0	0	2,438,500	2,435,000	3,500
Interest and Fiscal Charges	0	0	0	201,375	163,218	38,157
Total Expenditures	0	0	0	18,099,768	16,520,684	1,579,084
Excess of Revenues Over/ (Under) Expenditures	0	0	0	(4,968,065)	(3,977,022)	991,043
Other Financing Sources (Uses):						
Proceeds from notes	0	0	0	2,850,500	2,850,000	(500)
Operating Transfers In	4,000	0	(4,000)	1,214,605	1,032,738	(181,867)
Operating Transfers Out	0	0	0	(1,548,195)	(1,374,695)	173,500
Other financing sources	0	0	0	48,712	20,791	(27,921)
Total Other Financing Sources (Uses)	4,000	0	(4,000)	2,565,622	2,528,834	(36,788)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,000	0	(4,000)	(2,402,443)	(1,448,188)	954,255
Fund Balances at Beginning of Year	15,596	15,596	0	5,480,672	5,480,672	0
Prior Year Encumbrances Appropriated	0	0	0	3,486,016	3,486,016	0
Fund Balances at End of Year	\$19,596	\$15,596	(\$4,000)	\$6,564,245	\$7,518,500	\$954,255

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	PROPRIETARY FUND TYPES		FIDUCIARY FUND	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
OPERATING REVENUES:				
Charges for services	\$ 4,236,817	\$ 599,700	\$ -	\$ 4,836,517
Interest Income	-	-	2,646	2,646
Rental Income	5,800	-	-	5,800
Donations	-	-	1,400	1,400
Refunds and Reimbursements	-	89,664	-	89,664
Other operating revenue	72,109	30,000	-	102,109
Total operating revenues	<u>4,314,726</u>	<u>719,364</u>	<u>4,046</u>	<u>5,038,136</u>
OPERATING EXPENSES:				
Personal services	1,268,407	-	-	1,268,407
Contractual Services	1,237,981	-	-	1,237,981
Materials and supplies	569,872	-	-	569,872
Claims and Judgements	-	1,032,745	-	1,032,745
Depreciation	317,461	-	-	317,461
Other operating expenses	142,089	-	3,018	145,107
Total operating expenses	<u>3,535,810</u>	<u>1,032,745</u>	<u>3,018</u>	<u>4,571,573</u>
Operating Income (Loss)	778,916	(313,381)	1,028	466,563
NON-OPERATING REVENUES AND EXPENSES				
Interest	11,425	-	-	11,425
Intergovernmental	10,242	-	-	10,242
Debt Service:				
Interest and Fiscal Charges	(282,426)	-	-	(282,426)
Loss on disposition of fixed assets	(15,801)	-	-	(15,801)
Total Non-Operating Revenues & Expenses	<u>(276,560)</u>	<u>-</u>	<u>-</u>	<u>(276,560)</u>
Income (Loss) Before Operating Transfers	502,356	(313,381)	1,028	190,003
Operating Transfers - In	<u>41,957</u>	<u>300,000</u>	<u>-</u>	<u>341,957</u>
Net Income (Loss)	544,313	(13,381)	1,028	531,960
Retained Earnings/Fund Balance at Beginning of Year, as restated	<u>10,623,470</u>	<u>(4,398)</u>	<u>132,563</u>	<u>10,751,635</u>
Retained Earning/Fund Balance at End of Year	11,167,783	(17,779)	133,591	11,283,595
Contributed Capital at Beginning of Year	2,227,636	-	-	2,227,636
Contributions During the Year	<u>9,976,858</u>	<u>-</u>	<u>-</u>	<u>9,976,858</u>
Contributed Capital at End of Year	12,204,494	-	-	12,204,494
Total Fund Equity at End of Year	<u>\$ 23,372,277</u>	<u>\$ (17,779)</u>	<u>\$ 133,591</u>	<u>\$ 23,488,089</u>

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED STATEMENT OF CHANGES IN CHANGES IN CASH FLOW
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 4,256,774	\$ -	\$ -	\$ 4,256,774
Cash Received from Quasi-External Transactions from Other Funds	-	599,700	-	599,700
Cash Received from Donations	-	-	1,400	1,400
Cash Received from Interest	-	-	2,646	2,646
Other Operating Receipts	72,109	119,664	-	191,773
Cash Payments to Employees	(1,267,213)	-	-	(1,267,213)
Cash Payments to Suppliers for Goods and Services	(1,682,364)	-	-	(1,682,364)
Cash Payments for Other Expenses	(175,316)	-	(3,190)	(178,506)
Cash Payments for Claims	-	(1,024,039)	-	(1,024,039)
Net Cash Provided by (Used in) Operating Activities	1,203,990	(304,675)	856	900,171
Cash Flows from Noncapital Financing Activities:				
Transfers/Advances In	41,957	300,000	-	341,957
Intergovernmental	10,242	-	-	10,242
Net Cash Provided by Noncapital Financing Activities	52,199	300,000	-	352,199
Cash Flows From Capital & Related Financing Activities:				
Acquisition of Capital Assets	(614,316)	-	-	(614,316)
Principal Payments on Debt	(465,000)	-	-	(465,000)
Interest Payments	(282,762)	-	-	(282,762)
Net Cash Used In Capital & Related Financing Activities	(1,362,078)	-	-	(1,362,078)
Cash Flow from Investing Activities:				
Cash received from Interest	10,380	-	-	10,380
Net Increase (Decrease) in Cash and Cash Equivalents	(95,509)	(4,675)	856	(99,328)
Cash and Cash Equivalents at Beginning of Year	5,215,609	62,192	132,795	5,410,596
Cash and Cash Equivalents at End of Year	\$ 5,120,100	\$ 57,517	\$ 133,651	\$ 5,311,268

Continued

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

COMBINED STATEMENT OF CHANGES IN CHANGES IN CASH FLOW (Continued)
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types		Fiduciary	Total (Memorandum Only)
	Enterprise	Internal Service	Fund Type Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating Income (Loss)	\$ 803,827	\$ (313,381)	\$ 1,028	\$ 491,474
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Depreciation	317,461	-	-	317,461
Changes in Assets and Liabilities				
(Increase) in Accounts Receivable	(24,081)	-	-	(24,081)
(Increase) in Prepaid Items	(158)	-	-	(158)
(Increase) in Materials and Supplies Inventory	(1,245)	-	-	(1,245)
Increase (Decrease) in Accounts Payable	126,252	-	(172)	126,080
(Decrease) in Accrued Wages	(6,156)	-	-	(6,156)
(Decrease) in Compensated Absences	(19,954)	-	-	(19,954)
Increase in Refundable Deposits	5,651	-	-	5,651
Increase in Pension Obligations Payable	2,393	-	-	2,393
Increase in Claims Payable	-	8,706	-	8,706
Total Adjustments	400,163	8,706	(172)	408,697
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,203,990</u>	<u>\$ (304,675)</u>	<u>\$ 856</u>	<u>\$ 900,171</u>

Noncash Capital Financing Activities:

During 2002, enterprise fund fixed assets in the amount of \$9,976,858 were donated by other funds.

Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:

All Fiduciary Fund Types	\$ 256,543
Less: Agency Funds	(107,296)
Less: Expendable Trust Fund	(15,596)
Cash and Cash Equivalents - Nonexpendable Trust Fund	<u>\$ 133,651</u>

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

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

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

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

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

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

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

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

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bellefontaine have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB No.20, the City has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary activities.

Election of this approach to accounting for proprietary activities by the City has required no change from prior years. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - The General Fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (continued)

Capital Project Funds - Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type

Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service funds are used to account for the financing services provided by one department or agency to another department or agency on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's fiduciary funds include expendable trust funds, nonexpendable trust funds, and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental funds. The nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the City, except those accounted for in proprietary funds or trust funds.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund type and nonexpendable trust funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust funds, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined, and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available:

City income tax withheld by employers, utility billings unpaid and billed, and interest earnings. Property taxes are levied on January 1 of each year upon the assessed value at the preceding January 1, the lien date. Property taxes are due in the calendar year levied and are intended to finance the operations of the City in the year levied. Property taxes are payable to the County Treasurer in two equal installments in January and July of the year levied and, if not paid, become delinquent after December 31 of the year levied. Accordingly, at December 31, 2002, delinquent property taxes and City income tax collected meet the susceptible sixty-day accrual criteria. Other revenues are recorded as revenue when received, as they are generally measurable until actually received.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the City.

Tax Budget

Prior to July 20, the City submits a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than July 20, the Council-adopted budget is filed with the Logan County Budget Commission for rate determination.

Estimated Resources

Prior to September 1, City Council, by formal resolution, approves the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the year if projected increases or the City Auditor identifies decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

A temporary appropriation ordinance to control expenditures or expenses, as appropriate, may be passed on or about January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available provided that the total appropriations do not exceed estimated resources, as certified. Amendments to the original appropriation ordinance were not material in relation to the original appropriation. At the end of the year, all unexpended and unencumbered balances of operating appropriations revert to the fund from which the appropriation was initially made, where they became subject to future appropriation. The Governmental Fund Types for which annual appropriation ordinances are adopted are the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City's budgetary process is based upon accounting for transactions on the non-GAAP basis.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for the governmental fund types and expendable trust funds and reported in the notes to the financial statements for the proprietary fund type and nonexpendable trust funds.

D. Cash 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 "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government and consist of Certificates of Deposits.

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, bonds of the State of Ohio and STAR Ohio. Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2002.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

F. Inventory

Inventories are stated at cost, which approximates market, using the first-in, first-out basis (FIFO) method. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet as "Equity in Pooled Cash" because its use is limited by applicable bond covenants.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of one thousand dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of streets, sidewalks and storm sewers are not capitalized by the City since they are immovable and of value only to the City.

The City has elected to record depreciation in the General Fixed Asset Account Group and in the proprietary fund types in accordance with U.S. generally accepted accounting principles for governmental entities. Depreciation is recorded using the straight-line basis over the estimated useful lives of the related assets.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

Interest expense associated with the financing of fixed assets has not been recorded by the City as a component of the cost of these fixed assets for assets constructed prior to 1988. In accordance with the Financial Accounting Standards Board Statement No. 62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants), the City intends to capitalize the interest earned on interest-bearing investments, acquired with the proceeds of the borrowing.

I. Interfund Assets/Liabilities

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts vested or accumulated sick leave that are not expected to be liquidated with available financial resources are reported in the general long-term account group. No expenditure is reported for these amounts. Vested or accumulated sick and vacation leave of proprietary funds are recorded as an expense and a liability of those funds as the benefits accrue to employees. In accordance with the provisions of the Governmental Accounting Standards Board Statement No.16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only the portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Advances to Other Funds

Noncurrent portions of interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources, and therefore are not available for appropriation. At December 31, 2002, the City had no long-term interfund loans.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Beginning in fiscal year 2001, GASB Statement No. 33 requires capital contributions from other governments and private sources to be recorded as revenues and reported as retained earnings, however, capital contributions from other funds are still reported as contributed capital. Reserves represent those portions of fund equity not appropriable or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

N. Bond Discounts Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance cost for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. 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.

Q. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of GASB Statement No. 9 "Cash and Cash Equivalents" refers to cash only. The City has presented a statement of cash flows for its proprietary funds and similar Nonexpendable Trust Funds.

R. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned Totals (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation.

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds of short-term notes are not treated as revenue but as a liability.

It is the City's policy to formally budget and appropriate those funds which derive their primary revenues from levied taxes, other governments, or user charges.

Budgeted control is exercised at the object level. Reported budgeted amounts are as originally adopted and amended by appropriation resolutions of the Council. Department budgets are represented by appropriations and can only be modified by Council resolution. Unencumbered appropriations lapse at year-end.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Governmental Fund Types				
	Excess of Revenues and Other Sources Over/(Under)				
	Expenditures and Other Uses				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(479,582)	(335,207)	(11,034)	(622,365)	0
Increase (decrease) due to:					
Revenue Accruals	(99,220)	25,819	0	135,924	0
Expenditure Accruals	89,382	8,967	0	(800,670)	0
Encumbrances	<u>247,439</u>	<u>82,566</u>	<u>0</u>	<u>385,042</u>	<u>0</u>
GAAP Basis	<u>(241,981)</u>	<u>(217,855)</u>	<u>(11,034)</u>	<u>(902,069)</u>	<u>0</u>

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$7,787,348 and the bank balance was \$7,364,944. Of the bank balance, \$460,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 1	Category 2	Total
Certificates of Deposit	0	4,330,000	4,330,000
Savings/Checking Accounts	<u>3,034,944</u>	<u>0</u>	<u>3,034,944</u>
Totals	<u>3,034,944</u>	<u>4,330,000</u>	<u>7,364,944</u>

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments — Statutes authorize the City of Bellefontaine to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the state treasurer's investment pool.

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

	<u>Fair Value</u>
<u>Categorized Investments:</u>	
U.S. Government Securities Category 3	\$5,291,364
 <u>Uncategorized Investments:</u>	
STAR Ohio	<u>600,000</u>
Total Investments	<u>\$ 5,891,364</u>

Reconciliation to Balance Sheet

City's Deposits	\$ 7,787,348
Petty Cash and Drawer Change	2,445
Investments	<u>5,891,364</u>
Total	<u>\$13,681,157</u>
 <u>Per Balance Sheet:</u>	
Equity in Pooled Cash	\$13,575,620
Cash and Cash Equivalents in Segregated Account	<u>105,537</u>
Total	<u>\$13,681,157</u>

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 5 - PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which became measurable as of December 31, 2002.

The assessed valuations of the City for tax year 2001, which were used to collect taxes in calendar year 2002, are as follows:

	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$110,210,480	50%
Industrial/Commercial	55,211,250	25%
Public Utility	8,614,700	4%
Tangible Personal	<u>44,695,934</u>	<u>21%</u>
Total Assessed Value	<u>\$218,732,364</u>	<u>100%</u>

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 6 - CITY INCOME TAX

The City levies an income tax of 1.8% 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 - RECEIVABLES

The City's receivables at December 31, 2002 by fund type consist of the following:

	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Income Tax	600,224	-	-	-	-
Other Local Tax	-	7,061	-	-	-
Property Tax & Assessments	<u>479,901</u>	<u>119,645</u>	<u>235,000</u>	-	-
Total Tax & Assessments	1,080,125	126,706	235,000	-	-
Accounts Receivable	-	-	-	28,780	566,658
Notes	-	35,818	-	-	-
Due from Other Governments	95,185	368,829	-	90,229	1,440
Interest	<u>10,508</u>	-	-	<u>1,071</u>	<u>1,327</u>
Total Receivables	<u>1,185,818</u>	<u>531,353</u>	<u>235,000</u>	<u>120,080</u>	<u>569,425</u>

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 8 - FIXED ASSETS

Fixed assets with an original cost of \$1,000 or more and used in governmental fund type operations are accounted for in the General Fixed Asset Account Group. Fixed assets with an original cost of \$1,000 or more and used in proprietary fund type operations are recorded in the Enterprise Type Funds.

All costs associated with the construction and acquisition of general fixed assets are included in the Capital Outlay line within the accompanying financial statements. Costs associated with the construction of infrastructure fixed assets are not capitalized in the General Fixed Assets Account Group in accordance with the City's accounting policy and, accordingly, are not reflected as additions in the General Fixed Assets Account Group.

A summary of the general fixed assets at December 31, 2002, by class and the changes therein during 2002, is as follow:

<u>Asset Category</u>	<u>Balance at 01/01/02</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at 12/31/02</u>
Land	\$1,039,882	\$ 0	\$ 0	\$ 1,039,882
Land Improvements	94,882	1,508,109	0	1,602,991
Buildings	3,693,250	294,972	0	3,988,222
Equipment	2,227,071	254,253	(68,681)	2,412,643
Furniture	133,358	0	0	133,358
Vehicles	2,156,147	30,408	(3,576)	2,182,979
Construction-In-Progress	8,355,898	2,296	(8,358,194)	0
Infrastructure	1,078,718	1,290,488	(211,975)	2,157,231
Sub-Totals	18,779,206	3,380,526	(8,642,426)	13,517,306
Accumulated Depreciation	(3,669,974)	(400,696)	18,828	(4,051,842)
Totals	<u>\$15,109,232</u>	<u>\$2,979,830</u>	<u>\$(8,623,598)</u>	<u>\$9,465,464</u>

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. Depreciation lives used for property items within each property classification are as follows:

Classification	Life
Buildings	40 years
Utility Plant in Service	40-80 years
Improvements other than Buildings	20-50 years
Machinery & Equipment	5-20 years

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 8 - FIXED ASSETS (Continued)

A summary of proprietary fund property, plant and equipment at December 31, 2002 by class and by individual fund is as follows:

	Water	Sewer	Garbage / Refuse	Parking Meter	Ambulance	Airport	Utility and Property Rental	Total Enterprise Funds
Land	\$ 719,204	\$ 103,820	\$ 0	\$ 216,620	\$ 0	\$ 891,805	\$ 0	\$ 1,931,449
Land Improvements	124,820	399,473	0	24,240	0	7,472,416	0	8,020,949
Buildings	4,026,087	2,861,152	0	0	0	2,054,339	58,098	8,999,676
Equipment & Furniture	775,378	1,690,730	7,724	0	54,578	566,619	0	3,095,029
Vehicles	225,421	219,976	0	0	152,496	40,571	0	638,464
Construction-in-Progress	2,297	0	0	0	0	0	0	2,297
Intrastructure	2,553,421	2,990,183	0	0	0	45,485	0	5,589,089
	8,426,628	8,265,334	7,724	240,860	207,074	11,071,235	58,098	28,276,953
Less: Accum. Depreciation	(1,341,264)	(2,276,708)	(5,080)	(21,825)	(77,536)	(277,506)	(31,592)	(4,031,511)
Net Fixed Assets	<u>\$ 7,085,364</u>	<u>\$ 5,988,626</u>	<u>\$ 2,644</u>	<u>\$ 219,035</u>	<u>\$ 129,538</u>	<u>\$ 10,793,729</u>	<u>\$ 26,506</u>	<u>24,245,442</u>

NOTE 9 - SEGMENT INFORMATION

The City operates Enterprise Funds, which provide water, disposal and treatment of sewage, waste disposal, off-street parking, airport, ambulance and property management services. The key financial information for the year ended December 31, 2002 for these enterprise funds is as follows:

	Water	Sewer	Garbage / Refuse	Parking Meter	Ambulance	Airport	Property Rental	Enterprise Funds
Operating revenues	\$ 1,619,135	\$ 1,822,699	\$ 611,409	\$ 14,392	\$ 230,103	\$ 16,211	\$ 777	\$ 4,314,726
Operating expenses, less depreciation	(1,378,332)	(975,437)	(520,349)	(13,792)	(249,225)	(56,303)	0	(3,193,438)
Depreciation expense	(131,382)	(156,034)	(74)	0	(9,962)	(19,203)	(806)	(317,461)
Operating income (loss)	109,421	691,228	90,986	600	(29,084)	(59,295)	(29)	803,827
Interest revenue	13,255	(1,830)	0	0	0	0	0	11,425
Intergovernmental revenue	0	0	0	0	10,242	0	0	10,242
Interest and fiscal charges	(132,049)	(150,377)	0	0	0	0	0	(282,426)
Loss on disposal of fixed assets	0	(13,224)	0	0	0	(2,577)	0	(15,801)
Transfers in	0	0	0	10,000	0	31,957	0	41,957
Net income (loss)	(9,373)	525,797	90,986	10,600	(18,842)	(29,915)	(29)	569,224
Current capital contributions	539,908	0	0	0	0	9,436,950	0	9,976,858
Fixed asset additions	676,053	499,738	0	0	5,374	9,625,788	0	10,806,953
Fixed asset deletions	(26,942)	(203,738)	0	0	0	(2,577)	0	(233,257)
Net working capital	1,863,688	2,606,277	503,418	23,135	325,780	1,255	10,208	5,333,761
Total assets	9,078,148	8,734,402	548,254	243,322	570,530	10,798,015	139,772	30,112,443
Bonds payable	2,585,000	3,535,000	0	0	0	0	0	6,120,000
Total equity	6,228,705	5,112,136	506,062	240,683	452,993	10,794,984	36,714	23,372,277

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 10 - DEBT OBLIGATIONS

A listing of the changes in the debt of the City for the year ended December 31, 2002 follows:

	<u>Balance 01/01/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/02</u>
GENERAL OBLIGATION DEBT				
4.9% Main Street Bonds, 2005	\$ 440,000	\$ 0	\$ 440,000	\$ 0
3.85% Stormwater Bonds, 2014	1,260,000	-	75,000	1,185,000
TOTAL GENERAL OBLIGATION	<u>\$ 1,700,000</u>	<u>\$ 0</u>	<u>\$ 515,000</u>	<u>\$ 1,185,000</u>
SPECIAL ASSESSMENT DEBT				
6.25% Special Assessment Bonds, 2009	\$ 110,000	\$ -	\$ 10,000	\$100,000
3.6% Special Assessment Bonds, 2012	145,000	-	10,000	135,000
TOTAL SPECIAL ASSESS.	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 235,000</u>
Airport Bond Anticipation Notes, 2003	\$ 1,900,000	\$1,900,000	\$1,900,000	\$1,900,000
T-Hanger Bond Anticipation Notes, 2003	0	600,000	0	600,000
South Main Street Notes, 2003	0	350,000	0	350,000
TOTAL CAPITAL PROJECTS	<u>\$ 1,900,000</u>	<u>\$ 2,850,000</u>	<u>\$ 1,900,000</u>	<u>\$ 2,850,000</u>
ENTERPRISE DEBT				
3.5 to 6.9% Sewer System Bonds, 2010	\$ 3,725,000	\$ -	\$ 310,000	\$3,415,000
0% Public Works Rehab Bonds, 2014	130,000	-	10,000	120,000
3.75 - 5% Water Bonds, 2015	2,730,000	-	145,000	2,585,000
TOTAL ENTERPRISE DEBT	<u>\$ 6,585,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>	<u>\$ 6,120,000</u>
OTHER				
Compensated Absences Payable	\$ 766,003	\$ 83,053	-	\$ 849,056
Pension Obligations Payable	111,932	210,532	111,932	210,532
TOTAL OTHER	<u>\$ 877,935</u>	<u>\$ 293,585</u>	<u>\$ 111,932</u>	<u>\$ 1,059,588</u>
TOTAL DEBT OBLIGATION	<u>\$ 11,317,935</u>	<u>\$ 3,143,585</u>	<u>\$ 3,011,932</u>	<u>\$ 11,449,588</u>

Outstanding general obligation bonds consist of off-street parking and South Main Street improvement issues. The Special Assessment bonds are payable from the collections of special assessments and are general obligations of the City. 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. Waterworks improvement notes are also general obligation debts, but it is anticipated that user charges will pay off all outstanding notes.

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 10 – DEBT OBLIGATIONS (Continued)

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

The accrued vacation and sick leave benefits recorded above represent the non-current portion of the liability. The current portion has been recorded in the appropriate fund type.

A summary of the City's future debt service requirements as of December 31, 2002 were as follows:

Future Payment Due In	General Long-Term Debt		Special Assessment Debt		Enterprise Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 75,000	\$ 55,514	\$ 20,000	\$ 15,385	\$ 485,000	\$ 264,986
2004	80,000	52,180	25,000	14,105	500,000	246,198
2005	85,000	48,549	25,000	12,465	520,000	226,403
2006	85,000	44,724	25,000	10,815	540,000	205,298
2007-2011	500,000	156,653	120,000	26,950	3,070,000	661,635
2012-2016	<u>360,000</u>	<u>31,543</u>	<u>20,000</u>	<u>1,280</u>	<u>1,005,000</u>	<u>124,750</u>
TOTAL	\$ <u>1,185,000</u>	\$ <u>389,163</u>	\$ <u>235,000</u>	\$ <u>81,000</u>	\$ <u>6,120,000</u>	\$ <u>1,729,270</u>

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 11 - RESTRICTED ASSETS

Restricted assets are specifically restricted for capital improvements or debt service by either the City's designation or by applicable bond indentures. Restricted cash designated by the City or provided by operations are equally offset by a retained earnings reserve. Restricted assets at December 31, 2002 are comprised of the following:

	<u>Cash & Long-Term Investments</u>	<u>Deferred Bond Costs</u>
Equity in Pooled Cash: Sewer	509,944	
Equity in Pooled Cash: Water	305,582	
Deferred Bond Costs		<u>\$97,394</u>
Total	<u>\$815,526</u>	<u>\$97,394</u>

NOTE 12- DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System of Ohio

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer contribution rate for the City was 13.55% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$ 451,149, \$ 430,539, and \$ 338,521, respectively. The full amount has been contributed for 2001 and 2000. 74 percent has been contributed for 2002 with the remainder being reported as a liability in the appropriate funds and the general long-term debt account group.

B. Ohio Police and Fire Pension Fund

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

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2002, 2001, and 2000 were \$447,211, \$ 414,139, and \$ 405,985 respectively. The full amount has been contributed for 2001 and 2000. 72 percent has been contributed for 2002 with the remainder being reported as a liability in the general long-term debt account group.

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55% of covered payroll of which 5% was the portion used to fund health care for the year.

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions, based on the System's latest Actuarial Review performed as of December 31, 2001 (the latest information available), include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and annual pay increases, over and above the 4.00% base increase, ranging from 0.50% and 6.30%. Health care costs were assumed to increase 4.00% annually.

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

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041 as of December 31, 2001. The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The City's actual contributions for 2002, which were used to fund post-employment benefits were \$166,474. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 13 – POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer’s contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provided statutory authority allowing OP&F’s Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.5% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City’s actual contributions for 2002 that were used to fund postemployment benefits were \$84,657 for Police and \$75,572 for Firefighters. OP&F’s total health care expense for the year ended December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of member contributions of \$ 6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, are 13,174 for Police and 10,239 for Firefighters.

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 14 - EMPLOYEE BENEFITS

The City accrues unpaid 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 is accumulated and may be converted into cash upon retirement with ten years of service at the rate of thirty-three percent for all employees. 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. At December 31, 2002, the maximum liability to the City for accumulated unpaid vested sick leave was \$512,665. A liability of \$422,973 has been recognized in the general long-term debt account group and \$89,692 has been recognized in the Enterprise Funds for sick leave for employees who have ten years of service.

A liability for accrued vacation, compensatory accumulated and bonus accumulation for \$520,711 has been recognized. A liability of \$426,083 has been recognized in the general long-term debt account group and \$94,628 in the Enterprise Funds. Vacation is accumulated bi-weekly based upon length of service as follows:

Police / Supervisors / Office Personnel

1 year	1.6 hours
2 through 4 years	3.1 hours
5 through 10 years	4.6 hours
11 through 16 years	6.2 hours
17 years and above	7.7 hours

Park Department

1 through 4 years	3.1 hours
5 through 11 years	4.6 hours
12 through 19 years	6.2 hours
20 years and above	7.7 hours

Service Department

1 through 5 years	3.1 hours
6 through 12 years	4.6 hours
13 through 20 years	6.2 hours
20 years and above	7.7 hours

Municipal Court

1 through 4 years	3.0 hours
5 through 10 years	4.4 hours
11 through 16 years	6.0 hours
17 years and above	7.4 hours

Fire Department

	Time Off—Tours (24 hours)
0 through 1 year	2 tours
2 through 4 years	5 tours
5 through 10 years	7 tours
11 through 16 years	10 tours
Over 17 years	12 tours

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 14 - EMPLOYEE BENEFITS (continued)

No more than the amount of 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. The entire liability as determined by the above policy is recognized in each fund.

NOTE 15 - SELF INSURANCE

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

All funds of the City participate in the program and make payments to the Self Insurance Fund based on historical data of amounts needed to pay prior and current-year claims. There has been no reduction in coverage from the prior year.

The claims liability of \$75,296 reported in the Fund at December 31, 2002, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information is obtained prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount for 2002 and 2001 are as follows:

<u>Calendar Year</u>	<u>Beginning Balance</u>	<u>Current Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2001	50,853	807,446	791,709	66,590
2002	66,590	1,032,745	1,024,039	75,296

NOTE 16 - INSURANCE

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured with a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

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

CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 17 – CONTINGENT LIABILITIES

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

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

NOTE 18 - CONDUIT DEBT OBLIGATIONS

The City has issued Hospital Facilities Revenue and Refunding Bonds and a Master Equipment Lease-Purchase and Sublease-Purchase agreement for financing the acquisition, construction and installation of certain Hospital Facilities and for the acquisition of equipment for the Mary Rutan Health Association of Logan County. The debt is secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the Mary Rutan Health Association of Logan County, the entity served by the debt issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements. The original issuance for the Revenue Bonds in 1993 was \$13,745,000 and the total Lease-purchase and Sublease-purchase was \$2,955,000. As of December 31, 2002, the Revenue Bonds and the Lease Purchase and Sublease-Purchases outstanding were \$7,430,000 and \$2,115,000 respectively.

NOTE 19 - DEFICIT FUND BALANCE

The Internal Service Fund has a deficit of \$17,779 because of the application of U.S. generally accepted accounting principles and the required accrual of claims payable as of December 31, 2002.

**CITY OF BELLEFONTAINE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

Certain misstatements in the fiscal year 2001 financial statements resulted in the following changes to beginning fund balance/retained earnings:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>GLTDAG</u>
As stated 12/31/01	\$2,009,467	\$1,102,757	\$4,290,473	\$ 10,598,559	\$11,487,179
Adjustments:					
Income Tax	182,255	-	(182,255)	-	
Accrued Salaries	(33,908)	(8,789)	-	24,911	(169,244)
As restated 1/1/02	<u>\$2,157,814</u>	<u>\$1,093,968</u>	<u>\$4,108,218</u>	<u>\$ 10,623,470</u>	<u>\$11,317,935</u>

The income tax adjustment of \$182,255 is the result of an error in recording income tax receivable, which should have been recorded in the General Fund, in Capital Project Fund 435. The accrued salaries adjustment is the result of an error in recording amounts payable to the Bureau of Worker's Compensation in the General Long-Term Debt Account Group rather than in the appropriate funds.

NOTE 21 – CONTRIBUTED CAPITAL

A summary of contributed capital at December 31, 2002, by fund, and the changes therein during 2002, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Airport</u>	<u>Total</u>
Contributed Capital at December 31, 2001	\$ 1,761,378	\$ 456,365	\$ 8,453	\$ 1,440	\$ 2,227,636
Current Contributions	539,908	-	-	9,436,950	9,976,858
Contributed Capital at December 31, 2002	<u>\$ 2,301,286</u>	<u>\$ 456,365</u>	<u>\$ 8,453</u>	<u>\$ 9,438,390</u>	<u>\$ 12,204,494</u>

CITY OF BELLEFONTAINE
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2002

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Transportation</u>				
<i>Passed through Ohio Department of Transportation</i>				
Federal Aviation Grant	AIP-1-39-0125-0300	20.106	\$ 2,435,629	\$ 2,706,254
Federal Aviation Grant	AIP-1-39-0125-0401	20.106	<u>2,420,246</u>	<u>2,420,246</u>
Total Federal Aviation Grant			4,855,875	5,126,500
<u>Total U.S. Department of Transportation</u>			4,855,875	5,126,500
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed Through Ohio Department of Development:</i>				
CHIP Grant - CDBG	AC-00-0931	14.228	17,500	15,500
CDBG Community Distressed Program	AX-01-0931	14.228	40,000	40,000
FY 02 Formula Grant	AC-02-0931	14.228	<u>2,000</u>	<u>-</u>
Total CHIP - CDBG / Formula			59,500	55,500
CHIP Grant - HOME	AC-00-0932	14.239	36,900	35,128
CHIP Grant - HOME	AC-01-0932	14.239	<u>211,623</u>	<u>234,048</u>
Total CHIP - HOME			248,523	269,176
<u>Total U.S. Department of Housing and Urban Development</u>			308,023	324,676
<u>TOTAL FEDERAL ASSISTANCE</u>			\$ 5,163,898	\$ 5,451,176

See accompanying Notes to the Schedule of Federal Awards Expenditures

City of Bellefontaine
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2002

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

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

We have audited the general purpose financial statements of the City of Bellefontaine as and for the year ended December 31, 2002, and have issued our report thereon dated April 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated April 4, 2003.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 4, 2003.

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

Charles E. Harris & Associates, Inc.
April 4, 2003

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

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

Compliance

We have audited the compliance of the City of Bellefontaine with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

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

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

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

Charles E. Harris & Associates, Inc.
April 4, 2003

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

**CITY OF BELLEFONTAINE
LOGAN COUNTY
December 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Federal Aviation Grant CFDA # 20.106
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

CITY OF BELLEFONTAINE
LOGAN COUNTY
December 31, 2002

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the period ending December 31, 2001, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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
JULY 29, 2003**