

***CITY OF BELLEFONTAINE
LOGAN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

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



Mary Taylor, CPA
Auditor of State

Members of City Council
City of Bellefontaine
135 North Diamond Street
Bellefontaine, Ohio 43311

We have reviewed the *Report of Independent Accountants* of the City of Bellefontaine, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 16, 2009

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CITY OF BELLEFONTAINE, OHIO
AUDIT REPORT
For the Year Ended December 31, 2008

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311-1474

To City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio (the "City"), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates, Inc.

November 20, 2009

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

This discussion and analysis of the City of Bellefontaine's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$60.3 million (net assets). Of this amount, \$8.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1.9 million, or 3.3 percent.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.8 million, an increase of \$78,007 in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3.5 million, or 51 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of Bellefontaine as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

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

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

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City's governmental activities are accounted for in 35 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Capital Improvement Funds, which are considered to be the City's major governmental funds. Data from the other 33 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the basic financial statements

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2007.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 11,296,638	\$ 11,448,330	\$ 6,505,394	\$ 6,430,677	\$ 17,802,032	\$ 17,879,007
Capital assets	21,344,581	22,149,500	29,027,257	29,680,915	50,371,838	51,830,415
Total Assets	<u>32,641,219</u>	<u>33,597,830</u>	<u>35,532,651</u>	<u>36,111,592</u>	<u>68,173,870</u>	<u>69,709,422</u>
Current liabilities	1,450,772	1,563,186	358,402	321,615	1,809,174	1,884,801
Long-term liabilities	1,593,725	1,885,558	6,436,273	5,676,212	8,029,998	7,561,770
Total Liabilities	<u>3,044,497</u>	<u>3,448,744</u>	<u>6,794,675</u>	<u>5,997,827</u>	<u>9,839,172</u>	<u>9,446,571</u>
Net Assets:						
Invested in capital assets, net of related debt	20,728,358	21,324,150	22,882,994	24,267,828	43,611,352	45,591,978
Restricted	5,350,782	5,355,324	845,972	817,438	6,196,754	6,172,762
Unrestricted	3,517,582	3,469,612	5,009,010	5,028,499	8,526,592	8,498,111
Total Net Assets	<u>\$ 29,596,722</u>	<u>\$ 30,149,086</u>	<u>\$ 28,737,976</u>	<u>\$ 30,113,765</u>	<u>\$ 58,334,698</u>	<u>\$ 60,262,851</u>

By far the largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive net asset balances in each of its governmental and business-type activities net asset classifications. Unrestricted net assets of \$3.5 million and \$5 million in the governmental and business-type activities, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2008 and 2007.

**TABLE 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Program revenues:						
Charges for services	\$ 856,447	\$ 805,732	\$ 6,086,340	\$ 5,973,158	\$ 6,942,787	\$ 6,778,890
Grants and contributions	753,255	1,430,478	113,860	36,140	867,115	1,466,618
General revenues:						
Property taxes	747,249	808,146	-	-	747,249	808,146
Income taxes	5,758,875	5,770,826	-	-	5,758,875	5,770,826
Other local taxes	53,226	45,633	-	-	53,226	45,633
Unrestricted grants	627,836	661,315	-	-	627,836	661,315
Investment earnings	581,206	401,850	93,649	20,250	674,855	422,100
Other	273,555	229,143	58,454	54,986	332,009	284,129
Total revenues	9,651,649	10,153,123	6,352,303	6,084,534	16,003,952	16,237,657
Expenses:						
General government	2,051,352	2,323,552	-	-	2,051,352	2,323,552
Public safety	3,547,262	3,883,184	-	-	3,547,262	3,883,184
Public works	422,258	439,561	-	-	422,258	439,561
Health	150,925	170,337	-	-	150,925	170,337
Conservation and recreation	611,078	627,403	-	-	611,078	627,403
Economic development	246,809	366,775	-	-	246,809	366,775
Transportation	1,545,009	1,559,293	-	-	1,545,009	1,559,293
Interest on long-term debt	37,708	33,409	-	-	37,708	33,409
Water	-	-	1,660,026	1,763,548	1,660,026	1,763,548
Sewer	-	-	1,798,046	1,560,804	1,798,046	1,560,804
Airport	-	-	309,547	336,887	309,547	336,887
Garbage	-	-	730,915	768,690	730,915	768,690
Parking Meter	-	-	14,956	15,835	14,956	15,835
Ambulance	-	-	500,938	459,167	500,938	459,167
Other	-	-	280	1,059	280	1,059
Total expenses	8,612,401	9,403,514	5,014,708	4,905,990	13,627,109	14,309,504
Increase in net assets before transfers	1,039,248	749,609	1,337,595	1,178,544	2,376,843	1,928,153
Transfers	(192,000)	(197,245)	192,000	197,245	-	-
Change in net assets	\$ 847,248	\$ 552,364	\$ 1,529,595	\$ 1,375,789	\$ 2,376,843	\$ 1,928,153
Net assets, beginning	28,749,474	29,596,722	27,208,381	28,737,976	55,957,855	58,334,698
Net assets, ending	\$ 29,596,722	\$ 30,149,086	\$ 28,737,976	\$ 30,113,765	\$ 58,334,698	\$ 60,262,851

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities

Property and income taxes and grants are the biggest contributors of revenue for the City's governmental activities, representing 85 percent of total governmental revenues. The City's income tax revenues constitute 57 percent of total governmental revenues. Public safety is the most significant expense of the City, accounting for 41 percent of total governmental expenses. The City's general government and transportation activities are also significant, constituting 25 percent and 17 percent of total governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities increased by \$552,364, or 1.9 percent, in comparison with the previous year.

Program/restricted grants increased \$677,223, or 90 percent, primarily as a result of a \$267,538 increase in economic development funding and a \$409,788 increase in transportation funding.

Investment earnings decreased \$179,356, or 31 percent as a result of the city using investments to fund projects coupled with deteriorating market conditions.

Business-type Activities

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

During the fiscal year, net assets of the City's business-type activities increased by \$1.4 million. This increase is primarily the result of the \$1.4 million increase in net assets in the sewer fund. The net assets increase in the sewer fund was consistent with the prior year and represents the amount by which customer charges exceed the cost of sewage collection and treatment operations.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Total versus Net Cost of Services

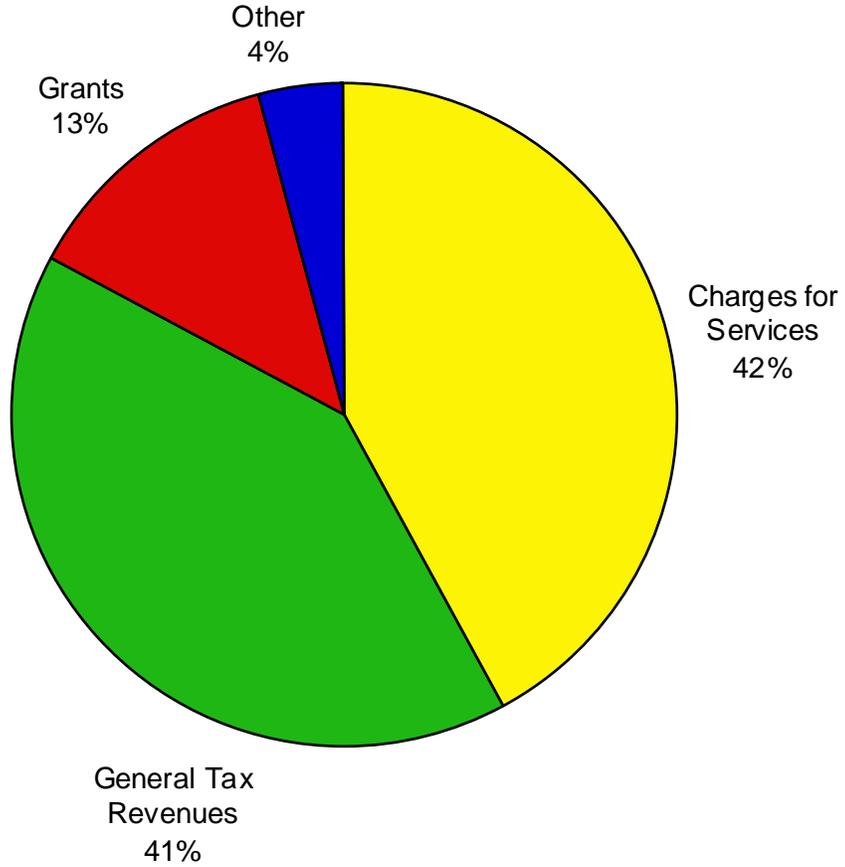
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
Governmental Activities:				
General government	\$ (2,051,352)	\$ (2,323,552)	\$ (1,979,898)	\$ (2,255,371)
Public safety	(3,547,262)	(3,883,184)	(2,866,676)	(3,239,038)
Public works	(422,258)	(439,561)	(422,258)	(439,561)
Health	(150,925)	(170,337)	(112,216)	(136,671)
Conservation and recreation	(611,078)	(627,403)	(480,508)	(503,094)
Economic development	(246,809)	(366,775)	(140,516)	7,255
Transportation	(1,545,009)	(1,559,293)	(962,919)	(567,415)
Interest on long-term debt	(37,708)	(33,409)	(37,708)	(33,409)
Total Governmental Activities	(8,612,401)	(9,403,514)	(7,002,699)	(7,167,304)
Business-Type Activities:				
Water	(1,660,026)	(1,763,548)	154,653	(42,353)
Sewer	(1,798,046)	(1,560,804)	1,060,751	1,314,388
Airport	(309,547)	(336,887)	(103,389)	(205,688)
Garbage	(730,915)	(768,690)	(6,086)	(55,649)
Parking Meter	(14,956)	(15,835)	(3,630)	(6,081)
Ambulance	(500,938)	(459,167)	83,473	99,750
Other	(280)	(1,059)	(280)	(1,059)
Total Business-Type Activities	(5,014,708)	(4,905,990)	1,185,492	1,103,308
Grand Total	\$(13,627,109)	\$(14,309,504)	\$ (5,817,207)	\$ (6,063,996)

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 41 percent of total revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for \$6 million of support.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.8 million, a \$78,007 increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and 2007.

	<u>Fund Balance 12/31/2007</u>	<u>Fund Balance 12/31/2008</u>	<u>Increase (Decrease)</u>
General	\$ 3,578,942	\$ 3,765,205	\$ 186,263
Capital improvements	2,853,989	2,892,343	\$ 38,354
Other Governmental	2,330,554	2,183,944	\$ (146,610)
Total	<u>\$ 8,763,485</u>	<u>\$ 8,841,492</u>	<u>\$ 78,007</u>

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.8 million, or 51 percent of total general fund expenditures. The fund balance of the City's general fund increased \$186,263, or 5.2 percent, during the current fiscal year. In comparison with the previous fiscal year, general fund revenues increased only .8 percent whereas general fund expenditures increased 10 percent.

Capital Improvements Fund

The Capital Improvements Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement funds' fund balance increased \$38,354 during the fiscal year. There was a correlating increase in total revenues and other financing sources and total expenditures as a result of the Route 68 by-pass paving project and numerous resurfacing projects, and the related grant funding from the Ohio Department of Transportation (\$110,000) and loan proceeds received (\$294,371).

Other Governmental Funds

The fund balance of the City's Other Governmental Funds decreased \$146,610, or 6.3 percent from the previous year. Total revenues increased \$564,335, or 42 percent, primarily as a result of a \$539,846 increase in intergovernmental funding for economic development and transportation projects. Total expenditures decreased \$149,000, or 4.7 percent, from the previous year primarily as a result of a reduction in capital outlay expenditures.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Proprietary Funds

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

Unrestricted net assets in the Water Fund at the end of the year amounted to \$695,806. Total net assets decreased \$2,568 as program expenses slightly outstripped program revenues.

Unrestricted net assets in the Sewer fund at the end of the year amounted to \$2.8 million. Total net assets increased \$1.4 million, or 16 percent, from the previous year. This increase is consistent with the prior year and represents the amount by which customer charges exceed the cost of sewage collection and treatment operations.

Unrestricted net assets in the Airport Fund at the end of the year amounted to \$142,690. Total net assets decreased \$93,794 during the fiscal year. This represents the amount by which the total cost of operating the airport (\$336,887), including depreciation expense (\$100,763) exceeded customer charges (\$98,179), capital grants (\$36,140), and general fund support (\$107,245).

Unrestricted net assets in the Garbage Fund at the end of the year amounted to \$536,151. Total net assets decreased \$55,649, or 8.9 percent, during the current fiscal year. This represents the amount by which the total cost of refuse collection (\$768,690) exceeded customer charges (\$713,041).

Unrestricted net assets in the Nonmajor Enterprise Funds at the end of the year amounted to \$857,427. Total net assets increased \$97,917, or 7.7 percent, during the fiscal year. By far, the most significant nonmajor enterprise fund is the ambulance fund. Total net assets of the ambulance fund increased \$100,057, or 9.9 percent, during the fiscal year. This represents the amount by which customer charges (\$559,224) exceed the total cost of providing ambulance services (\$459,167).

**CITY OF BELLEFONTAINE, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
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(UNAUDITED)**

General Fund Budgetary Information

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

The final amended revenue estimate was the same as the original estimate. The final appropriations exceeded the original appropriation resolution by \$333,245, or 4.6%. The City's actual revenues exceeded the final amended revenue estimate by \$381,599, or less than 5%, and the final amended appropriations exceeded actual expenditures by \$310,672, or 4%.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$51.8 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were \$3.2 million and depreciation was \$1.7 million. Detailed information regarding capital asset activity is included in the Note 6 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total debt outstanding of \$6.3 million. Of this amount, \$2.4 million represents bonds backed by the full faith and credit of the City, \$80,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, and the remaining \$3.8 million represents bonds secured by specified revenue sources (i.e. revenue bonds). Detailed information regarding long-term debt is included in Note 7 to the basic financial statements.

Contacting the City Auditor's Department

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 7,784,856	\$ 4,487,365	\$ 12,272,221
Investments	1,080,000	-	1,080,000
Receivables:			
Taxes	1,785,561	-	1,785,561
Accounts	31,891	1,094,830	1,126,721
Intergovernmental	519,503	-	519,503
Internal Balances	81,701	(81,701)	-
Materials and supplies inventory	57,258	80,283	137,541
Special assessments receivable	80,000	-	80,000
Restricted cash and cash equivalents	-	817,438	817,438
Deferred bond costs	27,560	32,462	60,022
Depreciable Capital assets, net	14,274,461	27,741,502	42,015,963
Nondepreciable Capital Assets	7,875,039	1,939,413	9,814,452
Total Assets	<u>33,597,830</u>	<u>36,111,592</u>	<u>69,709,422</u>
Liabilities			
Accounts payable	542,464	71,428	613,892
Accrued wages and benefits	122,205	40,932	163,137
Intergovernmental payable	239,100	52,158	291,258
Interest payable	2,464	20,861	23,325
Unearned Revenue	656,953	-	656,953
Refundable deposits	-	136,236	136,236
Long-term liabilities			
Due within one year	470,988	964,252	1,435,240
Due in more than one year	1,414,570	4,711,960	6,126,530
Total Liabilities	<u>3,448,744</u>	<u>5,997,827</u>	<u>9,446,571</u>
Net Assets			
Invested in capital assets, net of related debt	21,324,150	24,267,828	45,591,978
Restricted for:			
Capital projects	3,563,593	-	3,563,593
Debt service	88,835	817,438	906,273
Street maintenance and repair	401,697	-	401,697
Public safety	749,215	-	749,215
Other purposes	551,984	-	551,984
Unrestricted	3,469,612	5,028,499	8,498,111
Total Net Assets	<u>\$ 30,149,086</u>	<u>\$ 30,113,765</u>	<u>\$ 60,262,851</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,323,552	\$ -	\$ 68,181	\$ -
Public safety	3,883,184	632,116	12,030	-
Public works	439,561	-	-	-
Health	170,337	33,666	-	-
Conservation and recreation	627,403	124,309	-	-
Economic development	366,775	15,641	358,389	-
Transportation	1,559,293	-	618,847	373,031
Interest on long-term debt	33,409	-	-	-
Total Governmental Activities	9,403,514	805,732	1,057,447	373,031
Business-type Activities:				
Water	1,763,548	1,721,195	-	-
Sewer	1,560,804	2,875,192	-	-
Airport	336,887	95,059	-	36,140
Garbage	768,690	713,041	-	-
Parking Meter	15,835	9,754	-	-
Ambulance	459,167	558,917	-	-
Other	1,059	-	-	-
Total Business-type Activities	4,905,990	5,973,158	-	36,140
Total Government	\$ 14,309,504	\$ 6,778,890	\$ 1,057,447	\$ 409,171

General Revenues:
Property taxes
Income taxes
Other local taxes
Unrestricted grants and entitlements
Payments in lieu of taxes
Unrestricted investment earnings
Other unrestricted revenues
Gain/(Loss) on Disposal of Capital Assets
Transfers
Total general revenues and transfers

Change in Net Assets

Net assets at beginning of year
Net assets at end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,255,371)	\$ -	\$ (2,255,371)
(3,239,038)	-	(3,239,038)
(439,561)	-	(439,561)
(136,671)	-	(136,671)
(503,094)	-	(503,094)
7,255	-	7,255
(567,415)	-	(567,415)
(33,409)	-	(33,409)
<u>(7,167,304)</u>	<u>-</u>	<u>(7,167,304)</u>
-	(42,353)	(42,353)
-	1,314,388	1,314,388
-	(205,688)	(205,688)
-	(55,649)	(55,649)
-	(6,081)	(6,081)
-	99,750	99,750
-	(1,059)	(1,059)
<u>-</u>	<u>1,103,308</u>	<u>1,103,308</u>
<u>\$ (7,167,304)</u>	<u>\$ 1,103,308</u>	<u>\$ (6,063,996)</u>
808,146	-	808,146
5,770,826	-	5,770,826
45,633	-	45,633
661,315	-	661,315
60,527	-	60,527
401,850	20,250	422,100
192,688	71,015	263,703
(24,072)	(16,029)	(40,101)
<u>(197,245)</u>	<u>197,245</u>	<u>-</u>
<u>7,719,668</u>	<u>272,481</u>	<u>7,992,149</u>
552,364	1,375,789	1,928,153
29,596,722	28,737,976	58,334,698
<u>\$ 30,149,086</u>	<u>\$ 30,113,765</u>	<u>\$ 60,262,851</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and cash equivalents	\$ 3,405,697	\$ 1,810,642	\$ 2,558,854	\$ 7,775,193
Investments	-	1,000,000	80,000	1,080,000
Receivables:				
Taxes	1,640,883	-	144,678	1,785,561
Accounts	16,507	-	15,384	31,891
Intergovernmental	235,716	-	283,787	519,503
Advance to other funds	-	81,701	-	81,701
Materials and supplies inventory	-	-	57,258	57,258
Special assessments receivable	-	-	80,000	80,000
Total assets	\$ 5,298,803	\$ 2,892,343	\$ 3,219,961	\$ 11,411,107
Liabilities:				
Accounts payable	\$ 53,006	\$ -	\$ 489,458	\$ 542,464
Accrued wages and benefits	103,081	-	19,124	122,205
Intergovernmental payable	214,743	-	24,357	239,100
Deferred revenue	1,162,768	-	503,078	1,665,846
Total liabilities	1,533,598	-	1,036,017	2,569,615
Fund Balances:				
Reserved for:				
Encumbrances	312,479	6,000	210,590	529,069
Supplies inventory	-	-	57,258	57,258
Advances	-	81,701	-	81,701
Debt service	-	-	8,835	8,835
Endowments	-	-	76,000	76,000
Unreserved, reported in:				
General fund	3,452,726	-	-	3,452,726
Special revenue funds	-	-	1,231,709	1,231,709
Capital project funds	-	2,804,642	590,495	3,395,137
Permanent fund	-	-	9,057	9,057
Total fund balances	3,765,205	2,892,343	2,183,944	8,841,492
Total liabilities and fund balances	\$ 5,298,803	\$ 2,892,343	\$ 3,219,961	\$ 11,411,107

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

Total Governmental Fund Balances	\$ 8,841,492
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,149,500
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,008,893
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	27,560
Unamortized Premium on Bonds	(28,539)
Internal service funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	9,663
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,032,648)
General obligation debt	(824,371)
Accrued interest payable	(2,464)
 Net Assets of Governmental Activities	 <u><u>\$ 30,149,086</u></u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 562,331	\$ -	\$ 249,212	\$ 811,543
Income taxes	5,741,697	-	-	5,741,697
Other local taxes	23,556	-	22,077	45,633
Charges for services	32,000	-	157,115	189,115
Licenses, permits and fees	79,409	-	3,984	83,393
Fines and forfeitures	537,622	-	62,494	600,116
Intergovernmental	747,419	110,000	1,284,056	2,141,475
Special assessments	-	-	29,788	29,788
Interest	260,902	91,504	49,444	401,850
Donations and contributions	-	-	36,411	36,411
Refunds and reimbursements	47,555	-	4,119	51,674
Other	13,265	6,850	16,948	37,063
Total revenues	8,045,756	208,354	1,915,648	10,169,758
Expenditures:				
General government:				
Legislative and executive	1,599,575	-	1,246	1,600,821
Judicial	522,119	-	83,217	605,336
Public safety	3,633,280	-	4,787	3,638,067
Public works	237,435	-	-	237,435
Health	20,000	-	141,427	161,427
Conservation and recreation	-	-	566,283	566,283
Economic development	48,060	-	320,131	368,191
Transportation	276,505	-	769,310	1,045,815
Capital outlay	392,687	464,371	989,419	1,846,477
Debt service:				
Principal retirement	-	-	85,000	85,000
Interest and fiscal charges	-	-	34,025	34,025
Total expenditures	6,729,661	464,371	2,994,845	10,188,877
Excess (Deficiency) of revenues over (under) expenditures	1,316,095	(256,017)	(1,079,197)	(19,119)
Other financing sources (uses):				
Proceeds from loan	-	294,371	-	294,371
Transfers in	-	-	93,611	93,611
Transfers out	(1,129,832)	-	-	(1,129,832)
Total other financing sources (uses)	(1,129,832)	294,371	93,611	97,126
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	186,263	38,354	(146,610)	78,007
Fund balance at beginning of year	3,578,942	2,853,989	2,330,554	8,763,485
Fund balance at end of year	\$ 3,765,205	\$ 2,892,343	\$ 2,183,944	\$ 8,841,492

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	78,007
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		828,991
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets.		(24,072)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,437
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.		85,000
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Proceeds from loan		(294,371)
Amortization of bond issuance costs		(6,866)
Amortization of premium on bonds		7,110
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.		(39,672)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		(89,572)
Accrued interest		372
Change in Net Assets of Governmental Activities	\$	<u>552,364</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 560,000	\$ 560,000	\$ 564,960	\$ 4,960
Income taxes	5,400,000	5,400,000	5,759,023	359,023
Charges for services	33,000	33,000	32,000	(1,000)
Licenses, permits and fees	59,400	59,400	79,899	20,499
Fines and forfeitures	570,000	570,000	581,296	11,296
Intergovernmental	683,893	683,893	754,226	70,333
Interest	275,000	275,000	260,902	(14,098)
Refunds and reimbursements	50,000	50,000	47,555	(2,445)
Other	10,950	10,950	13,265	2,315
Total Revenues	7,642,243	7,642,243	8,093,126	450,883
Expenditures				
General government:				
Legislative and executive	1,763,172	1,842,117	1,780,354	61,763
Judicial	569,539	569,539	525,111	44,428
Public safety	3,983,156	3,983,156	3,699,843	283,313
Public works	386,459	386,459	233,842	152,617
Health	20,000	20,000	20,000	-
Economic development	49,000	49,000	48,060	940
Transportation	296,394	296,394	267,980	28,414
Capital outlay	216,029	470,329	461,132	9,197
Total Expenditures	7,283,749	7,616,994	7,036,322	580,672
Excess of Revenues Over/ (Under) Expenditures	358,494	25,249	1,056,804	985,827
Other Financing Sources/(Uses)				
Transfers in	29,000	29,000	-	(29,000)
Transfers out	(1,099,124)	(1,124,175)	(1,129,832)	(5,657)
Total other financing sources/(uses)	(1,070,124)	(1,095,175)	(1,129,832)	(34,657)
Net change in fund balance	(711,630)	(1,069,926)	(73,028)	996,898
Fund balances at beginning of year	2,963,603	2,963,603	2,963,603	-
Prior year encumbrances appropriated	149,319	149,319	149,319	-
Fund balances at end of year	\$ 2,401,292	\$ 2,042,996	\$ 3,039,894	\$ 996,898

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Airport Fund
Assets			
Current Assets:			
Pooled cash and cash equivalents	\$ 582,626	\$ 2,515,784	\$ 160,530
Receivables:			
Accounts	254,055	413,602	-
Materials and supplies inventory	70,116	10,167	-
Restricted cash and cash equivalents	303,316	514,122	-
Deferred bond costs	-	32,462	-
Noncurrent Assets:			
Depreciable Capital Assets, Net	8,740,862	8,906,132	9,771,020
Nondepreciable Capital Assets	729,677	247,811	745,305
Total assets	10,680,652	12,640,080	10,676,855
Liabilities			
Current Liabilities:			
Accounts payable	7,974	5,911	11,797
Accrued wages and benefits	21,020	7,481	-
Intergovernmental payable	19,848	9,999	-
Interest payable	6,625	8,193	6,043
Refundable deposits	-	-	-
Advances from other funds	-	81,701	-
Notes payable	712	18,400	-
Bonds payable	195,000	510,000	85,000
Compensated absences	126,888	10,791	-
Noncurrent Liabilities:			
Notes payable	11,037	205,400	-
Bonds payable	1,395,000	1,445,000	1,580,000
Compensated absences	28,636	19,052	-
Total Liabilities	1,812,740	2,321,928	1,682,840
Net Assets			
Invested in capital assets, net of related debt	7,868,790	7,007,605	8,851,325
Restricted for debt service	303,316	514,122	-
Unrestricted	695,806	2,796,425	142,690
Total Net Assets	\$ 8,867,912	\$ 10,318,152	\$ 8,994,015

See accompanying notes to the basic financial statements

Garbage Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 454,901	\$ 773,524	\$ 4,487,365	\$ 9,663
140,085	287,088	1,094,830	-
-	-	80,283	-
-	-	817,438	-
-	-	32,462	-
35,395	288,093	27,741,502	-
-	216,620	1,939,413	-
<u>630,381</u>	<u>1,565,325</u>	<u>36,193,293</u>	<u>9,663</u>
45,306	440	71,428	-
2,471	9,960	40,932	-
2,739	19,572	52,158	-
-	-	20,861	-
-	136,236	136,236	-
-	-	81,701	-
-	-	19,112	-
-	-	790,000	-
1,924	15,537	155,140	-
-	-	216,437	-
-	-	4,420,000	-
6,395	21,440	75,523	-
<u>58,835</u>	<u>203,185</u>	<u>6,079,528</u>	<u>-</u>
35,395	504,713	24,267,828	-
-	-	817,438	-
536,151	857,427	5,028,499	9,663
<u>\$ 571,546</u>	<u>\$ 1,362,140</u>	<u>\$ 30,113,765</u>	<u>\$ 9,663</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	Water Fund	Sewer Fund	Airport Fund
Operating Revenues			
Charges for Services	\$ 1,719,058	\$ 2,875,192	\$ -
Refunds and Reimbursements	2,137	-	-
Rental Income	-	-	95,059
Other Operating Revenue	33,762	33,826	3,120
Total Operating Revenues	<u>1,754,957</u>	<u>2,909,018</u>	<u>98,179</u>
Operating Expenses			
Personal Services	889,325	480,486	-
Contractual Services	129,884	601,540	125,216
Materials and Supplies	331,764	43,670	95
Depreciation	254,256	266,292	100,763
Other operating expenses	70,340	47,204	36,093
Total Operating Expenses	<u>1,675,569</u>	<u>1,439,192</u>	<u>262,167</u>
Operating income (loss)	<u>79,388</u>	<u>1,469,826</u>	<u>(163,988)</u>
Nonoperating Revenues (Expenses)			
Interest income	6,156	12,565	1,529
Grants income	-	-	36,140
Interest and fiscal charges	(87,979)	(121,612)	(74,720)
Loss on Disposal of Capital Assets	(133)	(15,896)	-
Operating Transfers In	-	85,000	107,245
Total non-operating revenues (expenses)	<u>(81,956)</u>	<u>(39,943)</u>	<u>70,194</u>
Change in net assets	(2,568)	1,429,883	(93,794)
Net assets at beginning of year	8,870,480	8,888,269	9,087,809
Net assets at end of year	<u>\$ 8,867,912</u>	<u>\$ 10,318,152</u>	<u>\$ 8,994,015</u>

See accompanying notes to the basic financial statements

Garbage Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 713,041	\$ 568,671	\$ 5,875,962	\$ 801,454
-	-	2,137	4,618
-	-	95,059	-
-	307	71,015	-
<u>713,041</u>	<u>568,978</u>	<u>6,044,173</u>	<u>806,072</u>
111,245	358,262	1,839,318	845,744
613,794	47,292	1,517,726	-
34,763	9,457	419,749	-
6,798	43,553	671,662	-
2,090	17,497	173,224	-
<u>768,690</u>	<u>476,061</u>	<u>4,621,679</u>	<u>845,744</u>
<u>(55,649)</u>	<u>92,917</u>	<u>1,422,494</u>	<u>(39,672)</u>
-	-	20,250	-
-	-	36,140	-
-	-	(284,311)	-
-	-	(16,029)	-
-	5,000	197,245	-
<u>-</u>	<u>5,000</u>	<u>(46,705)</u>	<u>-</u>
(55,649)	97,917	1,375,789	(39,672)
627,195	1,264,223	28,737,976	49,335
<u>\$ 571,546</u>	<u>\$ 1,362,140</u>	<u>\$ 30,113,765</u>	<u>\$ 9,663</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Airport Fund
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,726,702	\$ 2,879,509	\$ 95,059
Other operating receipts	35,899	33,826	3,120
Cash paid to employees	(876,951)	(487,522)	(93,111)
Cash paid to suppliers	(461,526)	(686,135)	(29,197)
Cash paid for other expenses	(72,426)	(55,050)	(38,815)
Net cash flows from operating activities	<u>351,698</u>	<u>1,684,628</u>	<u>(62,944)</u>
Cash Flows from Noncapital Financing Activities			
Transfers in (out)	-	85,000	107,245
Net cash flows from noncapital financing activities	<u>-</u>	<u>85,000</u>	<u>107,245</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(173,249)	(1,151,623)	-
Grants	-	-	36,140
Payment of interfund loans	-	(20,517)	-
Payment of debt	(185,712)	(499,200)	(80,000)
Payment of interest	(88,750)	(112,156)	(74,920)
Proceeds of notes	-	22,914	-
Net cash flows from capital and related financing activities	<u>(447,711)</u>	<u>(1,760,582)</u>	<u>(118,780)</u>
Cash Flows from Investing Activities			
Cash received from interest	6,156	12,565	1,529
Net cash flows from investing activities	<u>6,156</u>	<u>12,565</u>	<u>1,529</u>
Net change in cash	(89,857)	21,611	(72,950)
Cash and cash equivalents at beginning of year	975,799	3,008,295	233,480
Cash and cash equivalents at end of year	<u>\$ 885,942</u>	<u>\$ 3,029,906</u>	<u>\$ 160,530</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	\$ 79,388	\$ 1,469,826	\$ (163,988)
Add depreciation expense	254,256	266,292	100,763
(Increase)/Decrease in current assets			
Accounts receivable	7,644	4,317	-
Prepaid expenses	-	-	-
Materials and supplies inventory	4,031	957	-
Increase/(Decrease) in current liabilities			
Accounts payable	(5,995)	(49,728)	281
Accrued wages	5,767	(1,382)	-
Compensated absences	177	(6,350)	-
Refundable deposits	-	-	-
Intergovernmental Payable	6,430	696	-
Net Cash Flows from Operating Activities	<u>\$ 351,698</u>	<u>\$ 1,684,628</u>	<u>\$ (62,944)</u>

See accompanying notes to the basic financial statements

Garbage Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 707,721	\$ 559,055	\$ 5,968,046	\$ 801,454
-	307	73,152	4,618
(109,249)	(362,802)	(1,929,635)	-
(638,280)	(73,849)	(1,888,987)	-
(2,090)	(30,319)	(198,700)	(845,744)
<u>(41,898)</u>	<u>92,392</u>	<u>2,023,876</u>	<u>(39,672)</u>
-	5,000	197,245	-
-	5,000	197,245	-
-	(16,477)	(1,341,349)	-
-	-	36,140	-
-	-	(20,517)	-
-	-	(764,912)	-
-	-	(275,826)	-
-	-	22,914	-
-	<u>(16,477)</u>	<u>(2,343,550)</u>	-
-	-	20,250	-
-	-	20,250	-
(41,898)	80,915	(102,179)	(39,672)
496,799	692,609	5,406,982	49,335
<u>\$ 454,901</u>	<u>\$ 773,524</u>	<u>\$ 5,304,803</u>	<u>\$ 9,663</u>
\$ (55,649)	\$ 92,917	\$ 1,422,494	\$ (39,672)
6,798	43,553	671,662	-
(5,320)	(29,396)	(22,755)	-
-	-	-	-
-	-	4,988	-
10,277	(16,892)	(62,057)	-
671	3,086	8,142	-
788	(12,678)	(18,063)	-
-	6,750	6,750	-
537	5,052	12,715	-
<u>\$ (41,898)</u>	<u>\$ 92,392</u>	<u>\$ 2,023,876</u>	<u>\$ (39,672)</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2008

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 16,328	\$ 14,689
Cash in Segregated Account	-	37,828
Investments	60,000	-
Total Assets	76,328	52,517
Liabilities		
Deposits Held and Due to Others	-	14,689
Undistributed Assets	-	37,828
Total Liabilities	-	52,517
Net Assets		
Fund Balance:		
Reserved for Endowments	60,000	-
Unreserved/Undesignated	16,328	-
Total Net Assets	76,328	-
Total Liabilities and Net Assets	\$ 76,328	\$ 52,517

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 3,066
All Other Revenue	180
Total Additions	<u>3,246</u>
Deductions	
Other Operating Expense	<u>4,055</u>
Total Deductions	<u>4,055</u>
Net Assets at beginning of year	<u>77,137</u>
Net Assets at end of year	<u><u>\$ 76,328</u></u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deposits and Investments

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

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, 2008. The City had no investments in STAR Ohio at December 31, 2008.

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

D. Receivables and Payables

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

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The City's outstanding advance balance at December 31, 2008 was \$81,701.

E. Inventories and Prepaid Items

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Assets

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

G. Capital Assets and Depreciation

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

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

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

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

H. Compensated Absences

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Obligations

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

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

J. Fund Equity

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

K. Interfund Transactions

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

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

L. Estimates

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

	General Fund
GAAP basis	\$ 186,263
Revenue accruals	1,642
Expenditure accruals	59,142
Encumbrances	<u>(365,803)</u>
Budget basis	<u>\$ (118,756)</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$9,624,101 and the bank balance was \$9,915,970. Of the bank balance, \$990,054 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 months or less</u>
Money Market Funds	\$ 4,674,403	\$ 4,674,403

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

Credit Risk. The City's investments in Federal Agency Securities were rated AAA by Moody's Investor Services. The City's money market funds were unrated.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market Funds	\$ 4,674,403	100%

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 5 - TAXES

Property Taxes

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

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

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

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which became measurable as of December 31, 2008. The assessed valuations of the City for tax year 2007, which were used to collect taxes in calendar year 2008, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$213,803,610	88%
Public Utility	6,868,640	3%
Tangible Personal	<u>21,369,763</u>	<u>9 %</u>
Total Assessed Value	<u>\$242,042,013</u>	<u>100%</u>

Income Taxes

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2008, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 5,920,387	\$ -	\$ -	\$ -	\$ 5,920,387
Construction in Progress	1,045,454	918,466	(9,268)	-	1,954,652
Total Non-depreciated assets	<u>6,965,841</u>	<u>918,466</u>	<u>(9,268)</u>	<u>-</u>	<u>7,875,039</u>
Capital assets, being depreciated:					
Land Improvements	3,357,437	30,775	-	-	3,388,212
Buildings	4,374,127	-	-	-	4,374,127
Equipment	2,322,951	203,633	(25,893)	-	2,500,691
Furniture	218,847	1,814	-	-	220,661
Vehicles	2,830,991	148,633	(49,889)	-	2,929,735
Infrastructure	11,424,977	552,335	-	-	11,977,312
Total depreciated assets	<u>24,529,330</u>	<u>937,190</u>	<u>(75,782)</u>	<u>-</u>	<u>25,390,738</u>
Total capital assets	<u>31,495,171</u>	<u>1,855,656</u>	<u>(85,050)</u>	<u>-</u>	<u>33,265,777</u>
Less accumulated depreciation for:					
Land Improvements	87,560	9,282	-	-	96,842
Buildings	1,807,029	78,347	-	-	1,885,376
Equipment	1,595,052	179,893	(18,874)	-	1,756,071
Furniture	131,451	12,885	-	-	144,336
Vehicles	1,391,564	143,956	(42,104)	-	1,493,416
Infrastructure	5,137,934	602,302	-	-	5,740,236
Total accumulated depreciation	<u>10,150,590</u>	<u>1,026,665</u>	<u>(60,978)</u>	<u>-</u>	<u>11,116,277</u>
Total depreciable assets, net	<u>14,378,740</u>	<u>(89,475)</u>	<u>(14,804)</u>	<u>-</u>	<u>14,274,461</u>
Total capital assets, net	<u>\$ 21,344,581</u>	<u>\$ 828,991</u>	<u>\$ (24,072)</u>	<u>\$ -</u>	<u>\$ 22,149,500</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 58,114
Health	5,721
Judicial	26,542
Legislative and Executive	67,120
Public Safety	142,205
Public Works	217,257
Transportation	509,706
Total	<u>\$ 1,026,665</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2008, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 1,784,949	\$ -	\$ -	\$ -	\$ 1,784,949
Construction in Progress	32,377	575,701	-	(453,614)	154,464
Total Non-depreciated assets	<u>1,817,326</u>	<u>575,701</u>	<u>-</u>	<u>(453,614)</u>	<u>1,939,413</u>
Capital assets, being depreciated:					
Land Improvements	7,797,434	-	-	-	7,797,434
Buildings	10,571,760	-	-	-	10,571,760
Equipment	3,466,414	99,683	(42,924)	-	3,523,173
Furniture	18,621	-	-	-	18,621
Vehicles	917,083	245,200	(107,413)	-	1,054,870
Infrastructure	12,405,714	420,765	-	453,614	13,280,093
Total assets being depreciated	<u>35,177,026</u>	<u>765,648</u>	<u>(150,337)</u>	<u>453,614</u>	<u>36,245,951</u>
Total capital assets	<u>36,994,352</u>	<u>1,341,349</u>	<u>(150,337)</u>	<u>-</u>	<u>38,185,364</u>
Less accumulated depreciation for:					
Land Improvements	368,550	11,967	-	-	380,517
Buildings	2,327,116	188,928	-	-	2,516,044
Equipment	1,683,773	169,475	(37,545)	-	1,815,703
Furniture	10,879	1,624	-	-	12,503
Vehicles	500,952	62,049	(96,763)	-	466,238
Infrastructure	3,075,825	237,619	-	-	3,313,444
Total accumulated depreciation	<u>7,967,095</u>	<u>671,662</u>	<u>(134,308)</u>	<u>-</u>	<u>8,504,449</u>
Total depreciable assets, net	<u>27,209,931</u>	<u>93,986</u>	<u>(16,029)</u>	<u>453,614</u>	<u>27,741,502</u>
Total capital assets, net	<u>\$ 29,027,257</u>	<u>\$ 669,687</u>	<u>\$ (16,029)</u>	<u>\$ -</u>	<u>\$ 29,680,915</u>

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

Water	\$ 254,256
Sewer	266,292
Airport	100,763
Garbage	6,798
Other Nonmajor	43,553
Total	<u>\$ 671,662</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
Special Assessment Bonds:					
South Main Street, 6.25/7.00%, 2009	\$ 30,000	\$ -	\$ (15,000)	\$ 15,000	\$ 15,000
Lakewood Drive, 3.60/6.40%, 2012	80,000	-	(15,000)	65,000	15,000
Tax Increment Financing Bond:					
Gunntown Road, 4.50/6.00%, 2015	505,000	-	(55,000)	450,000	55,000
Amortization of premium on sale of bonds	35,649	-	(7,110)	28,539	-
OPWC Street Resurfacing	-	294,371	-	294,371	15,000
Compensated Absences Payable	943,076	506,381	(416,809)	1,032,648	370,988
Total Governmental Activities	<u>1,593,725</u>	<u>800,752</u>	<u>(508,919)</u>	<u>1,885,558</u>	<u>470,988</u>
Business-Type Activities:					
Revenue and General Obligation Bonds:					
Storm Water, 3.85/5.20%, 2014	770,000	-	(95,000)	675,000	100,000
Sewer System, 3.24/4.35%, 2011	1,670,000	-	(390,000)	1,280,000	410,000
Water System, 3.75/5.00%, 2015	1,775,000	-	(185,000)	1,590,000	195,000
Airport Improvement, 2.00/4.80%, 2023	1,745,000	-	(80,000)	1,665,000	85,000
O.P.W.C., 0%, 2014	70,000	-	(10,000)	60,000	10,000
O.P.W.C., 0%, 2025	12,461	-	(712)	11,749	712
Storm Water Drainage, 3.85/5.20%, 2028	145,086	22,914	(4,200)	163,800	8,400
Compensated Absences Payable	248,726	92,560	(110,623)	230,663	155,140
Total Business-Type Activities	<u>6,436,273</u>	<u>115,474</u>	<u>(875,535)</u>	<u>5,676,212</u>	<u>964,252</u>
Total Long-Term Obligations	<u>\$ 8,029,998</u>	<u>\$ 916,226</u>	<u>\$ (1,384,454)</u>	<u>\$ 7,561,770</u>	<u>\$ 1,435,240</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

A summary of the City's future debt service requirements as of December 31, 2008 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2009	\$ 100,000	\$ 29,563
2010	90,000	25,093
2011	90,000	21,440
2012	100,000	17,780
2013	80,000	12,600
2014-2018	220,000	13,200
2019-2023	75,000	-
2024-2028	69,371	-
	<u>\$ 824,371</u>	<u>\$ 119,676</u>

Business-Type Activities:

2009	\$ 809,112	\$ 237,918
2010	839,112	203,571
2011	879,112	166,978
2012	449,112	127,948
2013	474,112	110,345
2014-2018	1,230,560	280,140
2019-2023	725,560	100,800
2024-2027	38,869	-
	<u>\$ 5,445,549</u>	<u>\$ 1,227,700</u>

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2008 (See Note 10). The compensated absences will be paid from the funds in which the employees' salaries are paid.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2008 member contribution rate for City employees was 10.00% of covered payroll. The 2008 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$473,704, \$449,235, and \$427,765 respectively. The full amount has been contributed for 2007 and 2006. 92.6 percent has been contributed for 2008 with the remainder being reported as a fund liability.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2008, 2007, and 2006 were \$505,392, \$495,911, and \$484,823, respectively. The full amount has been contributed for 2007 and 2006. 76.8 percent has been contributed for 2008 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer contribution rate was 14.00% of covered payroll, and 7.00% was used to fund health care in 2008.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2007.

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

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The investment assumption rate for 2007 was 6.50%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .50% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB's are advance-funded on an actuarially determined basis. At year-end 2008, the number of active contributing participants in the Traditional and Combined Plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2008 contributions that were used to fund post-employment benefits were \$236,852.

\$12.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2007. The Actuarial Valuation as of December 31, 2007, actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17 billion, respectively.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) was effective as of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

The Ohio Revised Code provided statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.75% and 6.75% of covered payroll in 2007 and 2008. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of OP&F participants eligible to receive health care benefits as of December 31, 2007, the date of the last actuarial valuation available, are 14,295 for Police and 10,583 for Firefighters. The portion of the City's 2007 contributions that was used to fund post-employment benefits was \$88,549 for Police and \$70,101 for Firefighters. OP&F's total health care expense for the year ended December 31, 2007, the date of the last actuarial valuation available, was \$93,205,319, which was net of member contributions of \$56,031,875.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 10 - EMPLOYEE BENEFITS

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

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

At December 31, 2008, the City's liability for accumulated unpaid sick leave was \$536,585. A liability of \$414,590 has been recognized in the governmental activities and \$121,995 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$726,726. A liability of \$618,058 has been recognized in the governmental activities and \$108,668 has been recognized in the business-type activities.

NOTE 11 – LIABILITY INSURANCE

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

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

NOTE 12 – CONTINGENT LIABILITIES

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 13 - CONDUIT DEBT OBLIGATIONS

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

The original issuance for the Revenue Bonds in 2006 was \$15,000,000. As of December 31, 2008, the revenue bonds outstanding were \$12,195,000.

NOTE 14 – INTERFUND TRANSFERS

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

Transfers Out	Transfers In				Total
	Other Governmental Funds	Sewer Fund	Airport Fund	Parking Meter Fund	
General Fund	\$ 932,587	\$ 85,000	\$ 107,245	\$ 5,000	\$ 1,129,832
Total Transfers Out	<u>\$ 932,587</u>	<u>\$ 85,000</u>	<u>\$ 107,245</u>	<u>\$ 5,000</u>	<u>\$ 1,129,832</u>

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated November 20, 2009.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

November 20, 2009

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ended December 31, 2007 reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

CITY OF BELLEFONTAINE

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2009**