



Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

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LOGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 opinions.

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 City of Bellefontaine, Logan County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and the Neighborhood Stabilization Funds 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 September 2, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 2, 2011

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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, 2010. 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 approximately \$62 million (net assets). Of this amount, \$4.6 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 \$59,834.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$6.7 million, a decrease of \$725,547, or 10 percent in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$2.3 million, or 35 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 2010?" 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, 2010
(UNAUDITED)**

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

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

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City, our major funds are the General, Capital Improvement, Reconstruction Improvement, Neighborhood Stabilization, 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 36 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Capital Improvement, Reconstruction Improvement, and Neighborhood Stabilization Fund, which are considered to be the City's major governmental funds. Data from the other 32 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Notes to the basic financial statements

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

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

TABLE 1

Net Assets

	Governmental Activites		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 9,721,628	\$ 8,915,306	\$ 6,274,490	\$ 9,223,681	\$ 15,996,118	\$ 18,138,987
Capital assets	24,115,711	24,407,937	30,286,647	32,330,961	54,402,358	56,738,898
Total Assets	<u>33,837,339</u>	<u>33,323,243</u>	<u>36,561,137</u>	<u>41,554,642</u>	<u>70,398,476</u>	<u>74,877,885</u>
Current liabilities	1,265,654	1,275,292	418,861	716,699	1,684,515	1,991,991
Long-term liabilities	1,890,751	2,409,601	4,890,195	8,483,444	6,780,946	10,893,045
Total Liabilities	<u>3,156,405</u>	<u>3,684,893</u>	<u>5,309,056</u>	<u>9,200,143</u>	<u>8,465,461</u>	<u>12,885,036</u>
Net Assets:						
Invested in capital assets, net of related debt	23,385,711	23,782,937	25,650,210	28,693,607	49,035,921	52,476,544
Restricted	4,579,322	4,413,547	841,519	464,358	5,420,841	4,877,905
Unrestricted	2,715,901	1,441,866	4,760,352	3,196,534	7,476,253	4,638,400
Total Net Assets	<u>\$ 30,680,934</u>	<u>\$ 29,638,350</u>	<u>\$ 31,252,081</u>	<u>\$ 32,354,499</u>	<u>\$ 61,933,015</u>	<u>\$ 61,992,849</u>

By far the largest portion of the City's net assets (85 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 approximately \$1.4 million and \$3.2 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, 2010
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2010 and 2009.

TABLE 2

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Program revenues:						
Charges for services	\$ 731,830	\$ 799,956	\$ 5,815,510	\$ 5,880,114	\$ 6,547,340	\$ 6,680,070
Grants and contributions	3,245,065	2,650,851	282,850	146,668	3,527,915	2,797,519
General revenues:						
Property taxes	704,167	578,192	-	-	704,167	578,192
Income taxes	5,094,981	4,888,913	-	-	5,094,981	4,888,913
Other local taxes	37,994	43,905	-	-	37,994	43,905
Unrestricted grants	808,296	685,791	-	-	808,296	685,791
Investment earnings	140,922	70,684	6	816	140,928	71,500
Other	180,228	260,250	19,374	68,674	199,602	328,924
Total revenues	10,943,483	9,978,542	6,117,740	6,096,272	17,061,223	16,074,814
Expenses:						
General government	2,408,819	2,471,502	-	-	2,408,819	2,471,502
Public safety	4,082,944	4,177,710	-	-	4,082,944	4,177,710
Public works	524,357	364,688	-	-	524,357	364,688
Health	234,200	230,317	-	-	234,200	230,317
Conservation and recreation	626,001	597,537	-	-	626,001	597,537
Economic development	815,350	1,544,728	-	-	815,350	1,544,728
Transportation	1,483,996	1,298,068	-	-	1,483,996	1,298,068
Interest on long-term debt	28,968	30,576	-	-	28,968	30,576
Water	-	-	1,622,661	1,628,720	1,622,661	1,628,720
Sewer	-	-	1,837,826	1,935,512	1,837,826	1,935,512
Airport	-	-	337,870	331,140	337,870	331,140
Garbage	-	-	791,744	797,656	791,744	797,656
Parking Meter	-	-	13,400	13,361	13,400	13,361
Ambulance	-	-	531,971	592,208	531,971	592,208
Other	-	-	1,219	1,257	1,219	1,257
Total expenses	10,204,635	10,715,126	5,136,691	5,299,854	15,341,326	16,014,980
Increase in net assets before transfers	738,848	(736,584)	981,049	796,418	1,719,897	59,834
Transfers	(207,000)	(306,000)	207,000	306,000	-	-
Change in net assets	\$ 531,848	\$ (1,042,584)	\$ 1,188,049	\$ 1,102,418	\$ 1,719,897	\$ 59,834
Net assets, beginning	30,149,086	30,680,934	30,064,032	31,252,081	60,213,118	61,933,015
Net assets, ending	\$ 30,680,934	\$ 29,638,350	\$ 31,252,081	\$ 32,354,499	\$ 61,933,015	\$ 61,992,849

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Governmental Activities

Property and income taxes and grants are the biggest contributors of revenue for the City's governmental activities, representing 88 percent of total governmental revenues. The City's income tax revenues constitute 49 percent of total governmental revenues. Public safety is the most significant expense of the City, accounting for 39 percent of total governmental expenses. The City's general government, economic development and transportation activities are also significant, constituting 23 percent, 14 percent and 12 percent of total governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities decreased by \$1,042,584, or 3 percent, in comparison with the previous year.

The significant decrease in capital grants and contributions is the result of a decrease in transportation funding related to the reconstruction of Main Street.

Expenses increased \$510,491, or 5 percent primarily a result of the city's increase in economic development expenses for the neighborhood stabilization grant.

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 approximately \$1.1 million. This increase is primarily the result of the \$1,023,686 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, 2010
(UNAUDITED)**

Total versus Net Cost of Services

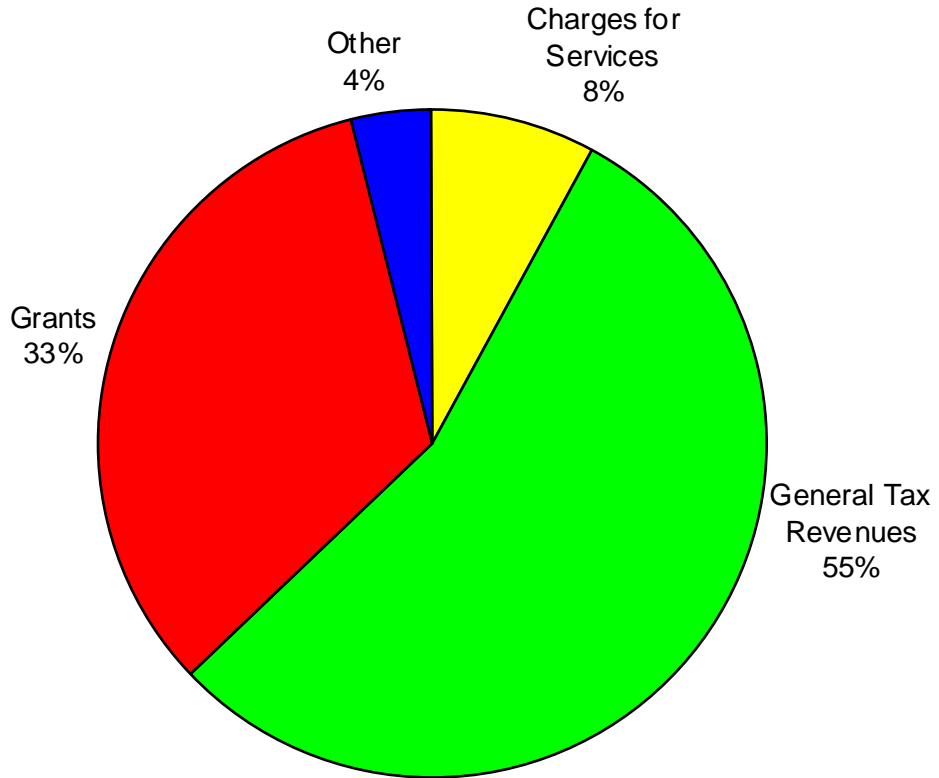
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of 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	
	2009	2010	2009	2010
Governmental Activities:				
General government	\$ (2,408,819)	\$ (2,471,502)	\$ (2,299,208)	\$ (2,345,158)
Public safety	(4,082,944)	(4,177,710)	(3,494,820)	(3,525,182)
Public works	(524,357)	(364,688)	(524,357)	(364,688)
Health	(234,200)	(230,317)	(210,841)	(203,736)
Conservation and recreation	(626,001)	(597,537)	(505,344)	(465,282)
Economic development	(815,350)	(1,544,728)	(134,993)	28,517
Transportation	(1,483,996)	(1,298,068)	970,791	(358,214)
Interest on long-term debt	(28,968)	(30,576)	(28,968)	(30,576)
Total Governmental Activities	(10,204,635)	(10,715,126)	(6,227,740)	(7,264,319)
Business-Type Activities:				
Water	(1,622,661)	(1,628,720)	54,650	115,149
Sewer	(1,837,826)	(1,935,512)	987,114	935,987
Airport	(337,870)	(331,140)	35,628	(213,725)
Garbage	(791,744)	(797,656)	(94,797)	(50,150)
Parking Meter	(13,400)	(13,361)	(5,224)	(4,892)
Ambulance	(531,971)	(592,208)	(18,983)	(59,684)
Other	(1,219)	(1,257)	3,281	4,243
Total Business-Type Activities	(5,136,691)	(5,299,854)	961,669	726,928
Grand Total	\$(15,341,326)	\$(16,014,980)	\$ (5,266,071)	\$ (6,537,391)

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 55 percent of total revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for approximately \$9.5 million of support.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 \$6.7 million, a \$725,547 decrease from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 and 2009.

	(Restated)		
	Fund Balance	Fund Balance	Increase
	12/31/2009	12/31/2010	(Decrease)
General	\$ 3,111,272	\$ 2,433,644	\$ (677,628)
Capital improvements	2,630,393	2,615,830	(14,563)
Reconstruction Improvement	9,245	(561,994)	(571,239)
Neighborhood Stabilization	4,005	44,028	40,023
Other Governmental	1,650,261	2,148,121	497,860
Total	\$ 7,405,176	\$ 6,679,629	\$ (725,547)

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 approximately \$2.3 million, or 35 percent of total general fund expenditures. The fund balance of the City's general fund decreased \$677,628, or 22 percent, during the current fiscal year. This decrease is primarily the result of cash transfers to other funds, which totaled \$901,624 during the fiscal year.

Capital Improvements Fund

The Capital Improvements Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement funds' fund balance decreased \$14,563 during the fiscal year. This decrease represents the amount in which debt principal payments exceeded interest earnings during the fiscal year.

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement funds' fund balance decreased \$571,239 million during the fiscal year. The decrease is a result of capital outlay expenditures exceeding grant revenues in the fund.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Neighborhood Stabilization Fund

The Neighborhood Stabilization Fund accounts for the accumulation of financial resources to be used for the rehabilitation of homes in the community. The neighborhood stabilization funds' fund balance increased \$40,023 million during the fiscal year. The increase is a result of grant revenues exceeding economic development expenditures in the fund.

Other Governmental Funds

The fund balance of the City's Other Governmental Funds increased only \$497,860, or 30% in comparison with the prior year. The increase is primarily the result of unspent bond proceeds for the energy conservation project received during the year.

Proprietary Funds

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

Unrestricted net assets in the Water Fund at the end of the year amounted to \$530,255. Total net assets increased \$165,806 during the fiscal year. This increase primarily consists of operating income of \$240,233 offset by interest income and debt interest and fiscal charges of \$74,427.

Unrestricted net assets in the Sewer fund at the end of the year amounted to approximately \$1.5 million. Total net assets increased approximately \$1.0 million, or 9 percent, from the previous year. This increase primarily consists of operating income of \$928,409 and non operating net revenues of \$95,277.

Unrestricted net assets in the Airport Fund at the end of the year amounted to \$88,491. Total net assets increased \$11,925 during the fiscal year. For the most part, this increase represents the amount in which transfers in from the general fund, totaling \$225,000, exceeded the funds' operating loss of \$164,488 and interest expenses totaling \$70,290.

Unrestricted net assets in the Garbage Fund at the end of the year amounted to \$337,520. Total net assets decreased \$44,949, or 11 percent, during the current fiscal year. This decrease represents the operating loss for the fiscal year.

Unrestricted net assets in the Nonmajor Enterprise Funds at the end of the year amounted to \$733,356. Total net assets decreased \$54,050, or 4 percent, during the fiscal year. By far, the most significant nonmajor enterprise fund is the ambulance fund. Total net assets of the ambulance fund decreased \$54,184, or 5 percent, during the fiscal year as a result of operations.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 \$175,817, or 2 percent.

The City's actual revenues exceeded the final amended revenue estimate by \$63,880. The final amended appropriations exceeded actual expenditures by \$742,948, or 10%. This is primarily the result of expenditure reimbursements received from the police and fire levy fund for police and fire pensions (\$300,000) and from the water and sewer funds for engineering salaries (\$275,000).

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2010 totals \$24.4 million (net of accumulated depreciation), an increase of \$292,226 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. This increase primarily consists of current year acquisitions of \$1.2 million offset by current year depreciation of \$.9 million.

The City's investment in capital assets for business-type activities as of December 31, 2010 totals \$32.3 million (net of accumulated depreciation), an increase of \$2.0 million in comparison with the prior year. This increase primarily consists of current year acquisitions of \$2.8 million offset by current year depreciation and deletions of \$.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 \$9.5 million. Of this amount, \$8.7 million represents bonds backed by the full faith and credit of the City, \$35,000 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 \$672,354 represents interest free loans.

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

Contacting the City Auditor's Department

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 6,339,739	\$ 6,130,765	\$ 12,470,504
Investments	1,084,000	-	1,084,000
Receivables:			
Taxes	1,677,744	-	1,677,744
Accounts	14,605	1,394,631	1,409,236
Intergovernmental	529,797	31,811	561,608
Internal Balances	(962,992)	962,992	-
Materials and supplies inventory	134,778	82,833	217,611
Prepaid items	23,707	17,429	41,136
Notes receivable	11,000	-	11,000
Special assessments receivable	35,000	-	35,000
Restricted cash and cash equivalents	-	464,358	464,358
Deferred bond costs	27,928	138,862	166,790
Nondepreciable Capital Assets	10,685,291	2,333,488	13,018,779
Depreciable Capital assets, net	13,722,646	29,997,473	43,720,119
Total Assets	33,323,243	41,554,642	74,877,885
Liabilities			
Accounts payable	145,465	341,373	486,838
Accrued wages and benefits	149,911	54,761	204,672
Intergovernmental payable	311,788	77,295	389,083
Unearned Revenue	664,865	-	664,865
Interest payable	3,263	20,952	24,215
Retainage payable	-	66,499	66,499
Refundable deposits	-	155,819	155,819
Long-term liabilities			
Due within one year	791,150	1,356,155	2,147,305
Due in more than one year	1,618,451	7,127,289	8,745,740
Total Liabilities	3,684,893	9,200,143	12,885,036
Net Assets			
Invested in capital assets, net of related debt	23,782,937	28,693,607	52,476,544
Restricted for:			
Capital projects	2,648,812	-	2,648,812
Debt service	161,942	464,358	626,300
Street maintenance and repair	509,083	-	509,083
Public safety	436,906	-	436,906
Economic Development	88,354	-	88,354
Other purposes	568,450	-	568,450
Unrestricted	1,441,866	3,196,534	4,638,400
Total Net Assets	\$ 29,638,350	\$ 32,354,499	\$ 61,992,849

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,471,502	\$ 55,614	\$ 70,730	\$ -
Public safety	4,177,710	585,506	67,022	-
Public works	364,688	-	-	-
Health	230,317	26,581	-	-
Conservation and recreation	597,537	132,255	-	-
Economic development	1,544,728	-	1,513,245	60,000
Transportation	1,298,068	-	564,790	375,064
Interest on long-term debt	30,576	-	-	-
Total Governmental Activities	10,715,126	799,956	2,215,787	435,064
Business-type Activities:				
Water	1,628,720	1,743,869	-	-
Sewer	1,935,512	2,751,981	-	119,518
Airport	331,140	95,765	-	21,650
Garbage	797,656	747,506	-	-
Parking Meter	13,361	8,469	-	-
Ambulance	592,208	532,524	-	-
Other	1,257	-	-	5,500
Total Business-type Activities	5,299,854	5,880,114	-	146,668
Total Government	\$ 16,014,980	\$ 6,680,070	\$ 2,215,787	\$ 581,732

General Revenues:

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

Transfers

Total general revenues and transfers

Change in Net 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
\$ (2,345,158)	\$ -	\$ (2,345,158)
(3,525,182)	-	(3,525,182)
(364,688)	-	(364,688)
(203,736)	-	(203,736)
(465,282)	-	(465,282)
28,517	-	28,517
(358,214)	-	(358,214)
(30,576)	-	(30,576)
<u>(7,264,319)</u>	<u>-</u>	<u>(7,264,319)</u>
-	115,149	115,149
-	935,987	935,987
-	(213,725)	(213,725)
-	(50,150)	(50,150)
-	(4,892)	(4,892)
-	(59,684)	(59,684)
-	4,243	4,243
<u>-</u>	<u>726,928</u>	<u>726,928</u>
<u>\$ (7,264,319)</u>	<u>\$ 726,928</u>	<u>\$ (6,537,391)</u>
578,192	-	578,192
4,888,913	-	4,888,913
43,905	-	43,905
685,791	-	685,791
114,432	-	114,432
70,684	816	71,500
145,818	68,674	214,492
(306,000)	306,000	-
<u>6,221,735</u>	<u>375,490</u>	<u>6,597,225</u>
(1,042,584)	1,102,418	59,834
30,680,934	31,252,081	61,933,015
<u>\$ 29,638,350</u>	<u>\$ 32,354,499</u>	<u>\$ 61,992,849</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Neighborhood Stabilization Fund
Assets:				
Pooled cash and cash equivalents	\$ 2,243,032	\$ 1,578,822	\$ 439,062	\$ 44,028
Investments	-	1,000,000	-	-
Receivables:				
Taxes	1,436,316	-	-	-
Accounts	5,366	-	-	-
Intergovernmental	243,386	-	-	-
Prepaid items	21,263	-	-	-
Materials and supplies inventory	-	-	-	-
Loan receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Advance to other funds	-	37,008	-	-
Total assets	\$ 3,949,363	\$ 2,615,830	\$ 439,062	\$ 44,028
Liabilities:				
Accounts payable	\$ 67,231	\$ -	\$ 1,056	\$ -
Accrued wages and benefits	129,472	-	-	-
Intergovernmental payable	277,473	-	-	-
Deferred revenue	604,440	-	-	-
Unearned revenue	437,103	-	-	-
Advance from other funds	-	-	1,000,000	-
Total liabilities	1,515,719	-	1,001,056	-
Fund Balances:				
Reserved for:				
Encumbrances	113,932	-	33,808	90,468
Materials and supplies inventory	-	-	-	-
Prepaid items	21,263	-	-	-
Advances	-	37,008	-	-
Loans	-	-	-	-
Endowments	-	-	-	-
Unreserved, reported in:				
General fund	2,298,449	-	-	-
Special revenue funds	-	-	-	(46,440)
Capital project funds	-	2,578,822	(595,802)	-
Permanent fund	-	-	-	-
Total fund balances	2,433,644	2,615,830	(561,994)	44,028
Total liabilities and fund balances	\$ 3,949,363	\$ 2,615,830	\$ 439,062	\$ 44,028

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,941,707	\$ 6,246,651
84,000	1,084,000
241,428	1,677,744
9,239	14,605
286,411	529,797
2,444	23,707
134,778	134,778
11,000	11,000
35,000	35,000
-	37,008
<u>\$ 2,746,007</u>	<u>\$ 9,794,290</u>
\$ 77,178	\$ 145,465
20,439	149,911
34,315	311,788
238,192	842,632
227,762	664,865
-	1,000,000
<u>597,886</u>	<u>3,114,661</u>
112,003	350,211
134,778	134,778
2,444	23,707
-	37,008
11,000	11,000
76,000	76,000
-	2,298,449
1,024,873	978,433
777,121	2,760,141
9,902	9,902
<u>2,148,121</u>	<u>6,679,629</u>
<u>\$ 2,746,007</u>	<u>\$ 9,794,290</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total Governmental Fund Balances	\$ 6,679,629
 <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.	24,407,937
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes Receivable	46,959
Income Taxes Receivable	395,897
Accounts Receivable	1,565
Intergovernmental Receivable	363,211
Special Assessments	35,000
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	27,928
Unamortized Premium on Bonds	(22,858)
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.	93,088
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	(1,151,120)
General obligation debt	(1,235,623)
Accrued interest payable	(3,263)
Net Assets of Governmental Activities	<u><u>\$ 29,638,350</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, 2010

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Neighborhood Stabilization Fund
Revenues:				
Property taxes	\$ 460,137	\$ -	\$ -	\$ -
Income taxes	4,991,092	-	-	-
Other local taxes	22,491	-	-	-
Charges for services	32,050	-	-	-
Licenses, permits and fees	66,087	-	-	-
Fines and forfeitures	489,600	-	-	-
Intergovernmental	656,420	-	375,064	1,272,962
Special assessments	-	-	-	-
Interest	53,557	16,937	1	-
Donations and contributions	585	-	-	-
Refunds and reimbursements	25,248	-	-	-
Other	26,208	-	-	6,865
Total revenues	<u>6,823,475</u>	<u>16,937</u>	<u>375,065</u>	<u>1,279,827</u>
Expenditures:				
General government:				
Legislative and executive	1,704,028	-	-	-
Judicial	522,436	-	-	-
Public safety	3,641,541	-	-	-
Public works	159,944	-	-	-
Health	128,911	-	-	-
Conservation and recreation	-	-	-	-
Economic development	39,498	-	-	1,239,804
Transportation	273,447	1,500	-	-
Capital outlay	125,296	-	946,304	-
Debt service:				
Principal retirement	-	30,000	-	-
Interest and fiscal charges	4,378	-	-	-
Total expenditures	<u>6,599,479</u>	<u>31,500</u>	<u>946,304</u>	<u>1,239,804</u>
Excess (Deficiency) of revenues over (under) expenditures	223,996	(14,563)	(571,239)	40,023
Other financing sources (uses):				
Proceeds from sale of bonds	-	-	-	-
Premium on sale of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(901,624)	-	-	-
Total other financing sources (uses)	<u>(901,624)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(677,628)	(14,563)	(571,239)	40,023
Fund balance at beginning of year	3,111,272	2,630,393	9,245	4,005
Fund balance at end of year	<u>\$ 2,433,644</u>	<u>\$ 2,615,830</u>	<u>\$ (561,994)</u>	<u>\$ 44,028</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 233,791	\$ 693,928
-	4,991,092
21,414	43,905
163,936	195,986
18,446	84,533
95,601	585,201
999,743	3,304,189
11,793	11,793
189	70,684
440	1,025
19,259	44,507
4,333	37,406
<u>1,568,945</u>	<u>10,064,249</u>
566	1,704,594
152,114	674,550
327,033	3,968,574
-	159,944
94,762	223,673
546,234	546,234
265,426	1,544,728
696,444	971,391
88,900	1,160,500
75,000	105,000
37,580	41,958
<u>2,284,059</u>	<u>11,101,146</u>
(715,114)	(1,036,897)
610,623	610,623
6,727	6,727
595,624	595,624
-	(901,624)
<u>1,212,974</u>	<u>311,350</u>
497,860	(725,547)
1,650,261	7,405,176
<u>\$ 2,148,121</u>	<u>\$ 6,679,629</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (725,547)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense.

Capital Outlays	1,178,169
Depreciation	(860,668)

The effect of various miscellaneous transactions involving capital assets
(i.e. sales, trade-ins, and disposals) is to decrease net assets. (25,275)

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds.

Delinquent Property Taxes	(1,304)
Income Taxes	(102,179)
Charges for Services	(5,100)
Intergovernmental Revenues	32,453
Special Assessments	(15,000)

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. 105,000

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 Sale of Bonds	(610,623)
Amortization of bond issuance costs	6,601
Amortization of premium on bonds	(774)

Internal service funds are used by management to charge the costs of
health care to individual funds. The net revenue (expense) of activities
of the internal service fund is reported with governmental activities. (4,712)

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Compensated absences	(12,453)
Accrued interest	(1,172)

Change in Net Assets of Governmental Activities \$ (1,042,584)

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, 2010

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 572,000	\$ 572,000	\$ 458,391	\$ (113,609)
Income taxes	4,950,000	4,950,000	4,986,967	36,967
Other local taxes	25,000	25,000	22,491	(2,509)
Charges for services	33,000	33,000	32,050	(950)
Licenses, permits and fees	78,500	78,500	77,040	(1,460)
Fines and forfeitures	480,000	480,000	527,588	47,588
Intergovernmental	497,463	497,463	650,318	152,855
Interest	125,000	125,000	53,557	(71,443)
Donations and contributions	-	-	585	585
Refunds and reimbursements	25,000	25,000	25,248	248
Other	10,600	10,600	26,208	15,608
Total Revenues	6,796,563	6,796,563	6,860,443	63,880
Expenditures				
General government:				
Legislative and executive	1,466,026	1,636,896	1,774,661	(137,765)
Judicial	553,348	553,348	526,181	27,167
Public safety	4,049,823	4,049,823	3,657,933	391,890
Public works	430,931	430,931	157,625	273,306
Health	130,000	130,000	128,911	1,089
Economic development	39,500	39,500	39,498	2
Transportation	490,706	490,706	296,299	194,407
Capital outlay	144,882	144,882	149,859	(4,977)
Debt service:				
Interest and fiscal charges	-	-	4,378	(4,378)
Total Expenditures	7,305,216	7,476,086	6,735,345	740,741
Excess of Revenues Over/ (Under) Expenditures	(508,653)	(679,523)	125,098	804,621
Other Financing Sources/(Uses)				
Transfers out	(898,884)	(903,831)	(901,624)	2,207
Total other financing sources/(uses)	(898,884)	(903,831)	(901,624)	2,207
Net change in fund balance	(1,407,537)	(1,583,354)	(776,526)	806,828
Fund balances at beginning of year	2,677,569	2,677,569	2,677,569	-
Prior year encumbrances appropriated	217,155	217,155	217,155	-
Fund balances at end of year	\$ 1,487,187	\$ 1,311,370	\$ 2,118,198	\$ 806,828

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
NEIGHBORHOOD STABILIZATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 1,900,000	\$ 1,900,000	\$ 1,272,962	\$ (627,038)
Other	-	-	6,865	6,865
Total Revenues	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,279,827</u>	<u>(620,173)</u>
Expenditures				
Economic development	1,665,671	1,665,671	1,343,417	322,254
Total Expenditures	<u>1,665,671</u>	<u>1,665,671</u>	<u>1,343,417</u>	<u>322,254</u>
Net change in fund balance	234,329	234,329	(63,590)	(297,919)
Fund balances at beginning of year	(39,992)	(39,992)	(39,992)	-
Prior year encumbrances appropriated	57,142	57,142	57,142	-
Fund balances at end of year	<u>\$ 251,479</u>	<u>\$ 251,479</u>	<u>\$ (46,440)</u>	<u>\$ (297,919)</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current Assets:				
Pooled cash and cash equivalents	\$ 1,797,954	\$ 3,203,078	\$ 184,318	\$ 330,291
Receivables:				
Accounts	379,455	556,771	-	97,109
Intergovernmental	-	31,811	-	-
Prepaid items	10,185	2,025	109	-
Materials and supplies inventory	70,771	12,062	-	-
Restricted cash and cash equivalents	-	464,358	-	-
Total Current Assets	<u>2,258,365</u>	<u>4,270,105</u>	<u>184,427</u>	<u>427,400</u>
Noncurrent Assets:				
Advances to other funds	-	1,000,000	-	-
Deferred bond costs	53,689	83,588	1,585	-
Depreciable Capital Assets, Net	8,368,277	11,433,919	9,827,872	44,553
Nondepreciable Capital Assets	1,045,041	326,522	745,305	-
Total Noncurrent Assets	<u>9,467,007</u>	<u>12,844,029</u>	<u>10,574,762</u>	<u>44,553</u>
Total assets	<u>11,725,372</u>	<u>17,114,134</u>	<u>10,759,189</u>	<u>471,953</u>
Liabilities				
Current Liabilities:				
Accounts payable	10,797	251,033	11,581	66,438
Accrued wages and benefits	23,166	13,239	-	3,182
Intergovernmental payable	27,435	16,510	-	4,209
Interest payable	5,182	10,010	5,760	-
Retainage payable	-	66,499	-	-
Refundable deposits	-	-	-	-
Advances from other funds	-	37,008	-	-
Notes payable	712	32,920	-	-
Bonds payable	266,595	815,860	93,742	-
Compensated absences	70,004	34,828	-	7,660
Total Current Liabilities	<u>403,891</u>	<u>1,277,907</u>	<u>111,083</u>	<u>81,489</u>
Noncurrent Liabilities:				
Notes payable	9,613	374,109	-	-
Bonds payable	2,100,095	3,033,287	1,481,438	-
Compensated absences	88,525	19,149	-	8,391
Total Noncurrent Liabilities	<u>2,198,233</u>	<u>3,426,545</u>	<u>1,481,438</u>	<u>8,391</u>
Total Liabilities	<u>2,602,124</u>	<u>4,704,452</u>	<u>1,592,521</u>	<u>89,880</u>
Net Assets				
Invested in capital assets, net of related debt	8,592,993	10,438,412	9,078,177	44,553
Restricted for debt service	-	464,358	-	-
Unrestricted	530,255	1,506,912	88,491	337,520
Total Net Assets	<u>\$ 9,123,248</u>	<u>\$ 12,409,682</u>	<u>\$ 9,166,668</u>	<u>\$ 382,073</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 615,124	\$ 6,130,765	\$ 93,088
361,296	1,394,631	-
-	31,811	-
5,110	17,429	-
-	82,833	-
-	464,358	-
<u>981,530</u>	<u>8,121,827</u>	<u>93,088</u>
-	1,000,000	-
-	138,862	-
322,852	29,997,473	-
216,620	2,333,488	-
<u>539,472</u>	<u>33,469,823</u>	<u>-</u>
<u>1,521,002</u>	<u>41,591,650</u>	<u>93,088</u>
1,524	341,373	-
15,174	54,761	-
29,141	77,295	-
-	20,952	-
-	66,499	-
155,819	155,819	-
-	37,008	-
-	33,632	-
-	1,176,197	-
33,834	146,326	-
<u>235,492</u>	<u>2,109,862</u>	<u>-</u>
-	383,722	-
-	6,614,820	-
12,682	128,747	-
<u>12,682</u>	<u>7,127,289</u>	<u>-</u>
<u>248,174</u>	<u>9,237,151</u>	<u>-</u>
539,472	28,693,607	-
-	464,358	-
733,356	3,196,534	93,088
<u>\$ 1,272,828</u>	<u>\$ 32,354,499</u>	<u>\$ 93,088</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, 2010

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for Services	\$ 1,742,800	\$ 2,748,415	\$ -	\$ 747,506
Refunds and Reimbursements	1,069	3,566	-	-
Rental Income	-	-	95,765	-
Other Operating Revenue	50,333	12,260	597	5,201
Total Operating Revenues	<u>1,794,202</u>	<u>2,764,241</u>	<u>96,362</u>	<u>752,707</u>
Operating Expenses				
Personal Services	786,266	668,091	-	114,612
Contractual Services	157,589	658,398	108,982	638,141
Materials and Supplies	329,270	127,670	3,182	37,134
Claims and Judgements	-	-	-	-
Depreciation	249,870	309,600	125,635	6,798
Other operating expenses	30,974	72,073	23,051	971
Total Operating Expenses	<u>1,553,969</u>	<u>1,835,832</u>	<u>260,850</u>	<u>797,656</u>
Operating income (loss)	<u>240,233</u>	<u>928,409</u>	<u>(164,488)</u>	<u>(44,949)</u>
Nonoperating Revenues (Expenses)				
Interest income	324	439	53	-
Grants income	-	119,518	21,650	-
Interest and fiscal charges	(74,751)	(99,680)	(70,290)	-
Operating Transfers In	-	75,000	225,000	-
Total non-operating revenues (expenses)	<u>(74,427)</u>	<u>95,277</u>	<u>176,413</u>	<u>-</u>
Change in net assets	165,806	1,023,686	11,925	(44,949)
Net assets at beginning of year	8,957,442	11,385,996	9,154,743	427,022
Net assets at end of year	<u>\$ 9,123,248</u>	<u>\$ 12,409,682</u>	<u>\$ 9,166,668</u>	<u>\$ 382,073</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 540,993	\$ 5,779,714	\$ 849,932
-	4,635	100
-	95,765	-
283	68,674	-
<u>541,276</u>	<u>5,948,788</u>	<u>850,032</u>
510,253	2,079,222	-
9,786	1,572,896	854,744
25,303	522,559	-
-	-	-
40,195	732,098	-
21,289	148,358	-
<u>606,826</u>	<u>5,055,133</u>	<u>854,744</u>
<u>(65,550)</u>	<u>893,655</u>	<u>(4,712)</u>
-	816	-
5,500	146,668	-
-	(244,721)	-
6,000	306,000	-
<u>11,500</u>	<u>208,763</u>	<u>-</u>
(54,050)	1,102,418	(4,712)
1,326,878	31,252,081	97,800
<u>\$ 1,272,828</u>	<u>\$ 32,354,499</u>	<u>\$ 93,088</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, 2010

Business-type Activities - Enterprise Funds

	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,689,162	\$ 2,724,485	\$ 95,765	\$ 738,629
Other operating receipts	51,402	15,826	597	5,201
Cash paid to employees	(771,642)	(654,683)	(94,275)	(113,343)
Cash paid to suppliers	(498,510)	(754,321)	(17,768)	(660,259)
Cash paid for other expenses	(31,177)	(71,549)	(19,941)	(687)
Net cash flows from operating activities	<u>439,235</u>	<u>1,259,758</u>	<u>(35,622)</u>	<u>(30,459)</u>
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	-	(925,000)	225,000	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>(925,000)</u>	<u>225,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(137,440)	(2,327,901)	(25,000)	(12,418)
Grants	-	87,707	21,650	-
Payment of debt	(1,565,712)	(1,248,093)	(85,000)	-
Payment of interest	(132,249)	(148,086)	(71,948)	-
Proceeds from sale of bonds and notes	2,539,868	3,793,974	80,200	-
Net cash flows from capital and related financing activities	<u>704,467</u>	<u>157,601</u>	<u>(80,098)</u>	<u>(12,418)</u>
Cash Flows from Investing Activities				
Cash received from interest	324	439	53	-
Net cash flows from investing activities	<u>324</u>	<u>439</u>	<u>53</u>	<u>-</u>
Net change in cash	1,144,026	492,798	109,333	(42,877)
Cash and cash equivalents at beginning of year	653,928	3,174,638	74,985	373,168
Cash and cash equivalents at end of year	<u>\$ 1,797,954</u>	<u>\$ 3,667,436</u>	<u>\$ 184,318</u>	<u>\$ 330,291</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 240,233	\$ 928,409	\$ (164,488)	\$ (44,949)
Add depreciation expense	249,870	309,600	125,635	6,798
(Increase)/Decrease in current assets				
Accounts receivable	(53,638)	(23,930)	-	(8,877)
Prepaid expenses	(1,629)	28,954	2,425	-
Materials and supplies inventory	(8,181)	(2,391)	-	-
Increase/(Decrease) in current liabilities				
Accounts payable	(2,044)	5,708	806	15,300
Accrued wages	1,969	2,269	-	112
Compensated absences	12,611	9,368	-	890
Refundable deposits	-	-	-	-
Intergovernmental Payable	44	1,771	-	267
Net Cash Flows from Operating Activities	<u>\$ 439,235</u>	<u>\$ 1,259,758</u>	<u>\$ (35,622)</u>	<u>\$ (30,459)</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 520,883	\$ 5,768,924	\$ 849,932
283	73,309	100
(499,677)	(2,133,620)	-
(37,492)	(1,968,350)	(854,744)
(34,585)	(157,939)	-
<u>(50,588)</u>	<u>1,582,324</u>	<u>(4,712)</u>
6,000	(694,000)	-
<u>6,000</u>	<u>(694,000)</u>	<u>-</u>
(21,856)	(2,524,615)	-
5,500	114,857	-
-	(2,898,805)	-
-	(352,283)	-
-	6,414,042	-
<u>(16,356)</u>	<u>753,196</u>	<u>-</u>
-	816	-
<u>-</u>	<u>816</u>	<u>-</u>
(60,944)	1,642,336	(4,712)
676,068	4,952,787	97,800
<u>\$ 615,124</u>	<u>\$ 6,595,123</u>	<u>\$ 93,088</u>
\$ (65,550)	\$ 893,655	\$ (4,712)
40,195	732,098	-
(45,100)	(131,545)	-
(762)	28,988	-
-	(10,572)	-
224	19,994	-
5,083	9,433	-
(1,554)	21,315	-
9,829	9,829	-
7,047	9,129	-
<u>\$ (50,588)</u>	<u>\$ 1,582,324</u>	<u>\$ (4,712)</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, 2010

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 17,094	\$ 14,689
Cash in Segregated Account	-	38,668
Investments	60,000	-
Total Assets	77,094	53,357
 Liabilities		
Deposits Held and Due to Others	-	14,689
Undistributed Assets	-	38,668
Total Liabilities	-	53,357
 Net Assets		
Net Assets Held in Trust	77,094	-

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, 2010

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 1,802
Total Additions	<u>1,802</u>
Deductions	
Endowments	<u>2,010</u>
Total Deductions	<u>2,010</u>
Net Assets at beginning of year	<u>77,302</u>
Net Assets at end of year	<u>\$ 77,094</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, 2010**

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, 2010**

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.

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes and special assessments for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance fiscal year 2011 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on the both the governmental fund and government-wide financial statements.

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

The government reports the following major governmental funds:

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

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

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

The *neighborhood stabilization fund* is used to account for receipts and expenditures associated with the demolition of residential homes in the City that are deemed beyond economical repair.

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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

C. Deposits and Investments

To improve cash management, cash received by the City is pooled, except as specifically stipulated by ordinance. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Pooled cash and cash equivalents" on the balance sheet and statement of net 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, 2010. The City had no investments in STAR Ohio at December 31, 2010.

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 net outstanding advance balance between the governmental and proprietary funds at December 31, 2010 was \$962,992.

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, 2010**

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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, 2010**

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. Fund balance reserves have been established for encumbrances, materials and supplies inventory, prepaid items, advances, loans and endowments.

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.

M. Net Assets

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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:

Net Change in Fund Balances

	General Fund	Neighborhood Stabilization Fund
GAAP basis	\$ (677,628)	\$ 40,023
Revenue accruals	36,968	0
Expenditure accruals	(11,032)	(13,145)
Encumbrances	(124,834)	(90,468)
Budget basis	\$ (776,526)	\$ (63,590)

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010**

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 \$11,914,495 and the bank balance was \$12,167,633. Of the bank balance, \$6,252,401 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments — Statutes authorize the City of Bellefontaine to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the state treasurer's investment pool. As of December 31, 2010, the City had \$2,184,818 invested in money market funds and \$50,000 invested in a STAR Ohio account.

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 money market funds were unrated. STAR Ohio carries a rating of AAAM by Standard and Poor's. The investments underlying the District's repurchase agreement were rated AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The City's money market funds were held with several banking institutions. The City investments were 2 percent in Star Ohio and the remaining 98 percent in money market funds.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2010. The assessed valuations of the City for tax year 2009, which were used to collect taxes in calendar year 2010, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$214,189,700	96.7 %
Public Utility	6,836,040	3.1 %
Tangible Personal	<u>398,040</u>	<u>.2 %</u>
Total Assessed Value	<u>\$221,423,780</u>	<u>100.0%</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, 2010**

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2010, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 5,920,387	\$ -	\$ -	\$ 5,920,387
Construction in Progress	3,828,304	936,600	-	4,764,904
Total Non-depreciated assets	<u>9,748,691</u>	<u>936,600</u>	<u>-</u>	<u>10,685,291</u>
Capital assets, being depreciated:				
Land Improvements	3,564,824	-	-	3,564,824
Buildings	4,374,127	-	-	4,374,127
Equipment	2,643,369	134,893	(175,061)	2,603,201
Furniture	216,861	13,921	-	230,782
Vehicles	3,003,365	34,755	(83,367)	2,954,753
Infrastructure	12,513,506	58,000	-	12,571,506
Total depreciated assets	<u>26,316,052</u>	<u>241,569</u>	<u>(258,428)</u>	<u>26,299,193</u>
Total capital assets	<u>36,064,743</u>	<u>1,178,169</u>	<u>(258,428)</u>	<u>36,984,484</u>
Less accumulated depreciation for:				
Land Improvements	106,183	16,356	-	122,539
Buildings	1,963,724	74,786	-	2,038,510
Equipment	1,725,962	158,207	(157,121)	1,727,048
Furniture	152,894	11,305	-	164,199
Vehicles	1,637,799	146,363	(76,032)	1,708,130
Infrastructure	6,362,470	453,651	-	6,816,121
Total accumulated depreciation	<u>11,949,032</u>	<u>860,668</u>	<u>(233,153)</u>	<u>12,576,547</u>
Total depreciable assets, net	<u>14,367,020</u>	<u>(619,099)</u>	<u>(25,275)</u>	<u>13,722,646</u>
Total capital assets, net	<u>\$ 24,115,711</u>	<u>\$ 317,501</u>	<u>\$ (25,275)</u>	<u>\$ 24,407,937</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 54,042
Health	6,652
Judicial	15,797
Legislative and Executive	68,672
Public Safety	147,050
Public Works	246,656
Transportation	321,800
Total	<u>\$ 860,669</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2010, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 1,784,949	\$ -	\$ -	\$ 1,784,949
Construction in Progress	439,909	108,630	-	548,539
Total Non-depreciated assets	<u>2,224,858</u>	<u>108,630</u>	<u>-</u>	<u>2,333,488</u>
Capital assets, being depreciated:				
Land Improvements	8,060,809	25,000	-	8,085,809
Buildings	10,899,821	2,268,290	-	13,168,111
Equipment	3,539,825	78,000	(39,560)	3,578,265
Furniture	21,202	-	(1,697)	19,505
Vehicles	1,077,587	-	(8,195)	1,069,392
Infrastructure	13,537,161	302,979	-	13,840,140
Total assets being depreciated	<u>37,136,405</u>	<u>2,674,269</u>	<u>(49,452)</u>	<u>39,761,222</u>
Total capital assets	<u>39,361,263</u>	<u>2,782,899</u>	<u>(49,452)</u>	<u>42,094,710</u>
Less accumulated depreciation for:				
Land Improvements	392,485	40,020	-	432,505
Buildings	2,704,825	188,939	-	2,893,764
Equipment	1,909,785	153,052	(34,061)	2,028,776
Furniture	14,266	1,849	(1,528)	14,587
Vehicles	465,045	65,038	(7,376)	522,707
Infrastructure	3,588,210	283,200	-	3,871,410
Total accumulated depreciation	<u>9,074,616</u>	<u>732,098</u>	<u>(42,965)</u>	<u>9,763,749</u>
Total depreciable assets, net	<u>28,061,789</u>	<u>1,942,171</u>	<u>(6,487)</u>	<u>29,997,473</u>
Total capital assets, net	<u>\$ 30,286,647</u>	<u>\$ 2,050,801</u>	<u>\$ (6,487)</u>	<u>\$ 32,330,961</u>

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

Water	\$ 249,870
Sewer	309,600
Airport	125,635
Garbage	6,798
Other Nonmajor	40,195
Total	<u>\$ 732,098</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
Special Assessment Bonds:					
Lakewood Drive, 3.60/6.40%, 2012	\$ 50,000	\$ -	\$ (15,000)	\$ 35,000	\$ 15,000
Tax Increment Financing Bond:					
Gunntown Road, 4.50/6.00%, 2015	395,000	-	(60,000)	335,000	60,000
2010 Energy Project Bonds	-	610,623	-	610,623	28,803
Amortization of premium on sale of bonds	22,084	6,727	(5,953)	22,858	-
OPWC Street Resurfacing	285,000	-	(30,000)	255,000	30,000
Compensated Absences Payable	1,138,667	297,592	(285,139)	1,151,120	657,347
Total Governmental Activities	<u>1,890,751</u>	<u>914,942</u>	<u>(396,092)</u>	<u>2,409,601</u>	<u>791,150</u>
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Storm Water, 3.85/5.20%, 2014	575,000	-	(575,000)	-	-
Sewer System, 3.24/4.35%, 2011	870,000	-	(425,000)	445,000	445,000
Water System, 3.75/5.00%, 2015	1,395,000	-	(1,395,000)	-	-
Airport Improvement, 2.00/4.80%, 2023	1,580,000	-	(85,000)	1,495,000	90,000
O.P.W.C., 0%, 2014	50,000	-	(10,000)	40,000	10,000
O.P.W.C., 0%, 2025	11,037	-	(712)	10,325	712
Storm Water Drainage, 0%, 2028	155,400	-	(8,400)	147,000	8,400
O.P.W.C., 0%, 2031	-	220,029	-	220,029	14,520
2010 Refunding Bonds 2-3%, 2028	-	1,455,000	(175,000)	1,280,000	310,000
2010 New Project Bonds 2-3%, 2015	-	1,020,000	(175,000)	845,000	160,000
2010 Energy Project Bonds 2-3%, 2027	-	3,629,377	-	3,629,377	171,197
Unamortized premium on sale of bonds	-	103,986	(7,346)	96,640	-
Compensated Absences Payable	253,758	91,014	(69,699)	275,073	146,326
Total Business-Type Activities	<u>4,890,195</u>	<u>6,519,406</u>	<u>(2,926,157)</u>	<u>8,483,444</u>	<u>1,356,155</u>
Total Long-Term Obligations	<u>\$ 6,780,946</u>	<u>\$ 7,434,348</u>	<u>\$ (3,322,249)</u>	<u>\$ 10,893,045</u>	<u>\$ 2,147,305</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2011	\$ 133,803	\$ 39,151
2012	145,243	34,627
2013	125,963	28,842
2014	130,963	24,323
2015	136,683	19,504
2016-2020	275,659	63,530
2021-2025	198,020	36,688
2026-2030	89,289	4,995
	<u>\$ 1,235,623</u>	<u>\$ 251,660</u>

Business-Type Activities:

2011	\$ 1,209,829	\$ 238,653
2012	783,389	196,820
2013	807,669	180,204
2014	822,668	162,824
2015	491,949	145,042
2016-2020	1,722,502	566,542
2021-2025	1,719,785	259,579
2026-2030	553,940	29,687
	<u>\$ 8,111,731</u>	<u>\$ 1,779,351</u>

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2010 (See Note 10). The compensated absences will be paid from the funds in which the employees' salaries are paid.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010, 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 2010 member contribution rate for City employees was 10.00% of covered payroll. The 2010 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, 2010, 2009, and 2008 were \$471,685, \$495,134, and \$473,704 respectively. The full amount has been contributed for 2009 and 2008; 92.6 percent has been contributed for 2010 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, 2010**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$562,085, \$545,695, and \$505,392, respectively. The full amount has been contributed for 2009 and 2008; 76.8 percent has been contributed for 2010 with the remainder being reported as a fund liability.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2010, 2009, and 2008 were \$171,679, \$207,280, and \$236,852, respectively. The full amount has been contributed for 2009 and 2008. 80.4 percent has been contributed for 2010 with the remainder being reported as a fund liability.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$562,085, \$545,695, and \$505,392, respectively, of which \$175,521, \$170,911 and \$158,650, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2009 and 2008. 76.8% has been contributed for police and firefighters for 2010.

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, 2010, the City's liability for accumulated unpaid sick leave was \$646,607. A liability of \$517,861 has been recognized in the governmental activities and \$128,746 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$779,586. A liability of \$633,259 has been recognized in the governmental activities and \$146,327 has been recognized in the business-type activities.

NOTE 11 – LIABILITY INSURANCE

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 12 – CONTINGENT LIABILITIES

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

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

NOTE 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, 2010, the revenue bonds outstanding were \$10,190,000.

NOTE 14 – INTERFUND TRANSFERS/ADVANCES

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

Transfers In	Transfers Out General Fund
Other Governmental Funds	595,624
Sewer Fund	75,000
Airport Fund	225,000
Parking Meter Fund	6,000
 Total Transfers In/Out	 \$ 901,624

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 14 – INTERFUND TRANSFERS/ADVANCES (Continued)

Interfund balances at December 31, 2010 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
Capital Improvement	81,701	-	(44,693)	37,008
Reconstruction Improvement	-	(1,000,000)	-	(1,000,000)
Sewer Fund	(81,701)	-	44,693	(37,008)
Sewer Fund	-	1,000,000	-	1,000,000

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

NOTE 15 – CONTRACTUAL COMMITMENTS

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

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Remaining</u>
Creative Microsystems Inc	\$ 62,071	\$ 57,423	\$ 4,648
Berquist Consulting Inc	226,142	178,305	47,837
Floyd Browne Group	244,300	141,528	102,772
Allied Waste Services	41,000	-	41,000
Humble Construction Co	242,000	223,591	18,409
Vorys, Sater, Seymour and Pease	40,000	6,192	33,808
Heater Excavating	86,390	69,535	16,855
Cargill Inc	32,175	-	32,175
DDC Rehab	110,568	54,271	56,297
Claypool Electric Ins	324,900	127,277	197,623
Pool's Paving	35,100	22,900	12,200
City of Marysville	75,568	-	75,568
Total	\$ 1,520,214	\$ 881,022	\$ 639,192

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 16 – FUND BALANCE RECLASSIFICATION

For fiscal year 2010, the City's Neighborhood Stabilization Fund met the minimum criteria for mandatory major fund reporting and needed to be reclassified accordingly.

The effect of this reclassification is as follows:

	Neighborhood Stabilization Fund	Other Governmental Funds
Fund Balance, December 31, 2009	\$ -	\$ 1,654,266
Reclassification of New Major Fund	4,005	(4,005)
Fund Balance, January 1, 2010	\$ 4,005	\$ 1,650,261

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**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Federal Aviation Administration</i>			
<i>Passed Through Ohio Department of Transportation</i>			
Airport Improvement Program	3-39-0125-0809	20.106	\$21,650
Total U.S. Department of Transportation			<u>21,650</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant / State's Program	A-Z-08-093-1	14.228	1,252,949
	A-F-09-093-1		60,000
	A-C-07-093-1		38
	A-C-09-093-1		33,320
Total Community Development Block Grant / State's Program			<u>1,346,307</u>
Home Investment Partnerships Program	A-C-07-093-2	14.239	2,195
	A-C-09-093-2		202,519
Total Investment Partnerships Program			<u>204,714</u>
Total U.S. Department of Housing and Urban Development			<u>1,551,021</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through Ohio Office of Criminal Justice Services</i>			
<i>ARRA - Edward Byrne Memorial Justice Assistance Grant Program</i>			
Byrne Law Enforcement	2009-SB-B9-3118	16.804	24,057
<i>Passed through the Ohio Attorney General</i>			
Crime Victim Assistance	2010VAGENE-577	16.575	13,417
Crime Victim Assistance	2011VAGENE-577		4,066
Total Crime Victim Assistance			<u>17,483</u>
Total U.S. Department of Justice			<u>41,540</u>
Total Federal Financial Assistance			<u><u>\$1,614,211</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUB-RECIPIENTS

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

The City monitors its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property and equipment. At December 31, 2010, the gross amount of loans outstanding under this program was \$11,000. There was \$6,000 in delinquent amounts due at December 31, 2010.

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$11,000
Loans made	0
Loan principal repaid	<u>0</u>
Ending loans receivable balance as of December 31, 2010	\$11,000
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$9,750
Administrative costs expended during 2010	\$243

The table above reports gross loans receivable.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 2, 2011. 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*.

Internal Control 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* as item 2010-001.

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www.auditor.state.oh.us

**Compliance and Other Matters
(Continued)**

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 2, 2011.

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

We intend this report solely for the information and use of management, the audit committee, Members of Council, and federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

September 2, 2011



Dave Yost • Auditor of State

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

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

To the Members of Council:

Compliance

We have audited the compliance of the City of Bellefontaine, Logan County (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Bellefontaine's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Bellefontaine complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-002.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2010-002. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We intend this report solely for the information and use of the audit committee, management, Members of Council, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

September 2, 2011

CITY OF BELLEFONTAINE
LOGAN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2010-001

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The City did not properly certify 48 percent of the expenditures tested during 2010. We also noted that the purchase order forms do not contain a place for the City Auditor to actually sign indicating properly certified.

Procedures should be implemented to provide that the City's Fiscal Officer certify funds are, or will be, available prior to any obligation made by the City and there should be indication or a signature on the purchase order that this certification process has been performed to improve controls over expenditures and to help reduce the possibility of the City's funds exceeding budgetary spending limitations.

**FINDING NUMBER 2010-001
 (Continued)**

OFFICIALS' RESPONSE:

A renewed effort will be made to assure that all departments follow the proper procedures and obtain a purchase order prior to committing to any purchases.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2010-002
CFDA Title and Number	CFDA #14.228 – Community Development Block Grants
Federal Award Number / Year	A-Z-08-093-1 ; A-F-09-093-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

24 C.F.R. Section 85.21(c) and Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership's Financial Management Rules and Regulations Handbook, require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt.

As of January 1, 2010, the Neighborhood Stabilization Grant fund had a balance of \$17,150. The City maintained a balance in excess of \$10,000 throughout most of the year and as of December 31, 2010 the grant retained a balance of \$44,027.

A cash management system should be developed to monitor the fifteen day rule regarding the prompt disbursement of funds. Requests for Payments should be submitted for current cash needs. Procedures should be established to monitor the receipts, disbursements, and balances of the Community Development Block Grant and the Home Investment Partnerships Program funds to avoid excessive federal fund cash balances.

OFFICIAL'S RESPONSE:

See Corrective Action Plan

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 135.21 proper allocation of interest	No	Partially corrected – reported to management of the City in a separate letter.
2009-002	Ohio Rev. Code Section 5705.41(D), properly certifying available funds for expenditure	No	Repeated as finding number 2010-001.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-02	<p>The NSP Project was a unique program where the City of Bellefontaine was responsible for 7 local government entities including itself. This has never occurred before. It is not expected to happen again since the NSP 1 Program has not been refunded and most likely will not. Only 2 of the 7 sub-recipients failed to expend their monies in a timely manner.</p> <p>The City has always spent its grant funds in a timely manner and we don't have to worry about this happening again since the program will not be repeated. The NSP was being implemented as the program rules were being developed by HUD and the ODOD. Implementation rules were changing throughout the grant period. As for fiscal issues: HUD was slow in releasing the grant funds to ODOD, which then had to go through their internal process. Delays in receiving grant funds from the time requested exceeded 90 days at times. Then once the City finally received the funds it had to cut checks to the sub-recipients. The City cuts checks every 2 weeks. Then the sub-recipient would have to pay its obligations. This delay was unacceptable to contractors and vendors. Therefore, sub-recipients were asked to anticipate needed cash flow. The City drew down funds based on the anticipated amount towards the end of the active program period instead of waiting for the actual sub-recipient's request for funds. This is where the problem arose. Two sub-recipients did not draw the funds as they anticipated and the grant monies remained in the City's account.</p> <p>If this situation of the City being the lead entity of sub-recipients ever would happen again grant funds would only be requested as needed and not anticipated. This, no matter how burdensome it is to project contractors and vendors. No other specific procedures are required to address this fiscal issue.</p> <p>This matter has been discussed with ODOD/OHCP and they are fully aware of the NSP problems. I was informed that they will sign off on this audit with no further action against the City.</p>	immediate	Bob Berquist - Neighborhood Stabilization Program Administrator

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CITY OF BELLEFONTAINE

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 20, 2011**