

**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2010

LESLIE PITTENGER, CITY AUDITOR



Dave Yost • Auditor of State

Members of Council and Mayor
City of Belpre
715 Park Drive
Belpre, Ohio 45714

We have reviewed the *Independent Auditor's Report* of the City of Belpre, Washington County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

August 24, 2011

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**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
City of Belpre
715 Park Drive
Belpre, Ohio 45714

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 Belpre, Washington County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Belpre's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Belpre'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 that 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 the City of Belpre, Washington County, Ohio, as of December 31, 2010, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparisons for the general fund and major special revenue fund - the street fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 4B, the City has reported a prior period adjustment in the amounts reported as accumulated depreciation and net assets at December 31, 2009 in the governmental activities, business-type activities, sewer fund and water fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011 on our consideration of the City of Belpre's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

Members of Council and Mayor
City of Belpre
Page Two

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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
June 24, 2011

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The discussion and analysis of the City of Belpre's 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

In total, assets decreased \$1,042,201. Governmental activities decreased \$757,663; the business-type activities experienced a decrease as well, of \$284,538.

In total, liabilities decreased \$732,413. Total liabilities of governmental activities decreased \$55,895. Total liabilities of business-type activities decreased \$676,518 from 2009.

In total, net assets decreased \$309,788. Net assets of governmental activities decreased \$701,768, while net assets of business-type activities increased \$391,980 from 2009.

Using this Annual Financial Report

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 of Belpre as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial 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 nonmajor funds presented in total in one column.

Reporting the City of Belpre as a Whole

Statement of Net Assets and the 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 private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities - Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our sanitation, sewer, and water activities.

Business-Type Activities - Sewer and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Sewer and Water Treatment Plants as well as all depreciation associated with the facilities. Sanitation services have charges based upon set rates, and these fees more than cover the costs of the contract to provide the service.

Reporting the City of Belpre's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 16. Fund financial statements 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 of Belpre, our major funds are the General, Street, Sanitation, Sewer, and Water Funds.

Governmental Funds Most of the City's activities are reported in the 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 the 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 government 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.

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, these statements will essentially match.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

The City of Belpre as a Whole

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

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

(Table 1)
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$2,729,562	\$2,750,919	\$1,274,188	\$1,172,021	\$4,003,750	\$3,922,940
Capital Assets, Net	13,923,692	14,659,998	13,963,649	14,350,354	27,887,341	29,010,352
<i>Total Assets</i>	<u>16,653,254</u>	<u>17,410,917</u>	<u>15,237,837</u>	<u>15,522,375</u>	<u>31,891,091</u>	<u>32,933,292</u>
Liabilities						
Current and Other Liabilities	473,797	417,031	315,311	284,508	789,108	701,539
Long-term Liabilities:						
Due Within One Year	122,735	117,771	743,857	712,982	866,592	830,753
Due in More Than One Year	858,650	976,275	5,012,141	5,750,337	5,870,791	6,726,612
<i>Total Liabilities</i>	<u>1,455,182</u>	<u>1,511,077</u>	<u>6,071,309</u>	<u>6,747,827</u>	<u>7,526,491</u>	<u>8,258,904</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	12,991,458	13,610,445	8,221,474	7,900,965	21,212,932	21,511,410
Restricted:						
Transportation	501,049	473,442	0	0	501,049	473,442
Capital Projects	18,466	18,466	0	0	18,466	18,466
Unclaimed Monies	1,919	7,930	0	0	1,919	7,930
Other Purposes	158,246	86,141	0	0	158,246	86,141
Unrestricted	1,526,934	1,703,416	945,054	873,583	2,471,988	2,576,999
<i>Total Net Assets</i>	<u>\$15,198,072</u>	<u>\$15,899,840</u>	<u>\$9,166,528</u>	<u>\$8,774,548</u>	<u>\$24,364,600</u>	<u>\$24,674,388</u>

Total governmental assets decreased \$757,663. The largest decreases were in two areas. The municipal income tax receivables decreased \$92,605 and capital assets decreased \$736,306.

Total governmental liabilities only decreased \$55,895. Long-term liabilities decreased \$112,661 with a capital lease payment of \$117,319, a reduction of \$452 in the police pension payable, and an increase in compensated absences of \$5,110.

For business-type activities, total assets decreased \$284,538. While equity in pooled cash and cash equivalents increased \$159,505, accounts receivable decreased \$56,714 as well as capital assets by \$386,705. Total liabilities decreased \$676,518. The most significant decrease was in long-term liabilities, decreasing \$707,321 with a capital lease payment of \$652,490 and other debt payments of \$54,724.

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

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2010	Business- Type Activities 2010	Total 2010	Governmental Activities 2009	Business- Type Activities 2009	Total 2009
Revenues						
Program Revenues						
Charges for Services	\$625,282	\$3,047,597	\$3,672,879	\$451,314	\$2,739,880	\$3,191,194
Operating Grants, Contributions and Interest	533,253	0	533,253	528,806	0	528,806
Capital Grants and Contributions	5,000	7,308	12,308	1,125,421	8,050	1,133,471
Total Program Revenues	1,163,535	3,054,905	4,218,440	2,105,541	2,747,930	4,853,471
General Revenues						
Property Taxes	255,603	0	255,603	302,168	0	302,168
Income Tax	939,134	0	939,134	961,262	0	961,262
Hotel Tax	0	0	0	750	0	750
Franchise Tax	122,291	0	122,291	121,013	0	121,013
Grants and Entitlements	393,613	0	393,613	299,537	0	299,537
Interest	8,671	0	8,671	11,625	0	11,625
Donations	1,000	0	1,000	50	0	50
Other	30,492	5,721	36,213	49,242	2,109	51,351
Total General Revenues	1,750,804	5,721	1,756,525	1,745,647	2,109	1,747,756
Total Revenues	2,914,339	3,060,626	5,974,965	3,851,188	2,750,039	6,601,227
Program Expenses						
General Government	634,203	0	634,203	658,410	0	658,410
Security of Persons and Property:						
Police	1,038,355	0	1,038,355	939,364	0	939,364
Fire	218,769	0	218,769	106,748	0	106,748
Public Health Services	41,547	0	41,547	40,640	0	40,640
Transportation	1,214,974	0	1,214,974	816,876	0	816,876
Leisure Time Activities:						
Senior Center	57,233	0	57,233	50,625	0	50,625
Parks	147,281	0	147,281	111,256	0	111,256
Pool	89,086	0	89,086	74,804	0	74,804
Community Environment	132,913	0	132,913	145,466	0	145,466
Interest and Fiscal Charges	41,746	0	41,746	46,491	0	46,491
Sanitation	0	660,307	660,307	0	629,824	629,824
Sewer	0	1,284,107	1,284,107	0	1,169,854	1,169,854
Water	0	724,232	724,232	0	683,474	683,474
Total Program Expenses	3,616,107	2,668,646	6,284,753	2,990,680	2,483,152	5,473,832
Increase (Deficiency)						
<i>Before Transfers</i>	(701,768)	391,980	(309,788)	860,508	266,887	1,127,395
Transfers	0	0	0	(100,000)	100,000	0
Increase (Decrease)						
<i>in Net Assets</i>	(701,768)	391,980	(309,788)	760,508	366,887	1,127,395
Net Assets Beginning of Year	15,899,840	8,774,548	24,674,388	15,139,332	8,407,661	23,546,993
Net Assets End of Year	\$15,198,072	\$9,166,528	\$24,364,600	\$15,899,840	\$8,774,548	\$24,674,388

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.0 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 46 percent of all revenues in the governmental activities.

Income tax collections experienced a decrease of \$22,128. The City's Tax Commissioner has established procedures for identifying delinquent accounts and for setting up payment schedules for hardship cases.

The City has worked very hard on increasing our income tax base by being proactive with new businesses and is continuing to strive to provide better service to the taxpayers at the lowest possible cost. The ability of the City to continue to provide quality services without income tax increases rests on City Management's ability to keep costs in line. The level of services provided have put a strain on the City's finances since no increase has occurred in the income tax rates since the enactment of the income tax levy in 1976.

Security of persons and property is a major activity of the City, generating 35% of the governmental expenses. During 2010, expenses for police and fire operations amounted to \$1,038,355 and \$218,769, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the activities of the police department with grants to enable the police department to widen the scope of its activities. The Belpre Volunteer Firefighters, Inc., an entity separate and distinct from the City, has worked hand in hand with the City to help reduce costs to the taxpayer by providing much of the equipment used by the fire department.

Transportation activities of the City accounted for 34% of the governmental expenses. The expenses were related to street maintenance, paving, and patching as well as street lighting.

Business-Type Activities

The City's business-type activities provide sanitation, water, and sewer services. The City, itself, does not provide trash pickup, but contracts this service from an outside vendor. The City provides the billing service for trash pickup on the existing utility bills and receives a commission from the vendor for providing this service for them. In July 2010, contracts were signed, commercial billing was audited, and correct rates were put into place. During 2010, program expenses for all three activities exceeded revenues by \$386,259.

The City's water and sewer departments continued to operate with low rates. On January 1, 2009, the minimum water rate increased to \$9.39 from \$9.03 for the first 3,000 gallons of water consumed and the sewer rate increased to \$18.42 from \$17.71. The administration and city council are proud to be able to keep rates below the neighboring water associations and provide a quality product.

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,994,240 and expenditures of \$2,993,723. Both revenues and expenditures decreased \$222,522 and \$250,229, respectively, from 2009 levels.

The fund balance of the General Fund decreased \$108,197. Revenues increased \$111,278 from 2009 levels. Expenditures increased \$101,666 from 2009 levels mainly in police program expenditures, which increased \$92,551.

The Street Fund did not experience any significant changes from the previous year. The fund balance decreased \$3,021. Expenditures increased \$83,764 with a \$90,000 transfer from the General Fund.

During 2010, the Sewer Fund had operating revenues of \$1,356,089 (\$1,184,188 in 2009) and operating expenses of \$1,084,213. The Water Fund had operating revenues of \$956,146 (\$833,135 in 2009) and operating expenses of \$595,182. Revenue activity within the Sanitation Fund changed little, as well as expenses. All three funds experienced increases in net assets, for a total of \$391,980.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2010, the City did not amend its Estimated Revenues. Appropriations were increased \$57,650, making increases in the general government, senior center, and capital outlay areas of the budget. Recommendations for any budget changes come from the City Auditor to the Finance Committee of Council for review before going to Council for Ordinance enactment on the change. The allocation of appropriations among objects, except personal services, within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

The City's ending unencumbered cash balance in the General Fund was \$1,087,864, \$50,410 above the final budgeted amount. The City received \$111,824 less in revenues than anticipated. The City also cut actual expenditures by \$133,513, reducing amounts in nearly all appropriated programs, especially general government and police.

City of Belpre, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Capital Assets and Debt Administration

(Table 3)
 Capital Assets at December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$2,736,418	\$2,736,418	\$250,754	\$250,754	\$2,987,172	\$2,987,172
Construction in Progress	7,910	0	0	0	7,910	0
Buildings and Improvements	2,753,649	2,845,586	533,284	548,241	3,286,933	3,393,827
Machinery and Equipment	335,112	312,095	297,260	350,395	632,372	662,490
Vehicles	553,933	475,245	38,751	27,964	592,684	503,209
Infrastructure:						
City Streets	7,259,918	7,989,573	0	0	7,259,918	7,989,573
Street Signals	276,752	301,081	0	0	276,752	301,081
Sewer System	0	0	6,660,903	6,877,923	6,660,903	6,877,923
Water System	0	0	6,182,697	6,295,077	6,182,697	6,295,077
Totals	\$13,923,692	\$14,659,998	\$13,963,649	\$14,350,354	\$27,887,341	\$29,010,352

The assets of the City are reported at historical cost, net of depreciation. The City's major outlays included two police cruisers and a street sweeper. For additional information on capital assets, see Note 10 to the basic financial statements.

(Table 4)
 Outstanding Debt at December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Issue II Water Well Loan	\$0	\$0	\$49,904	\$51,825	\$49,904	\$51,825
Water Tank Loan	0	0	358,952	406,984	358,952	406,984
Issue II Sewer Treatment Plant Loan	0	0	148,527	153,298	148,527	153,298
Capital Leases	932,234	1,049,553	5,184,792	5,837,282	6,117,026	6,886,835
Police Pension Liability	19,712	20,164	0	0	19,712	20,164
Totals	\$951,946	\$1,069,717	\$5,742,175	\$6,449,389	\$6,694,121	\$7,519,106

City of Belpre, Ohio
Management's Discussion and Analysis
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The City had no bond issues outstanding but had a pension liability, various loans payable, and a capital lease payable at December 31, 2010, totaling \$6,694,121, of which \$866,592 is due within one year. The City has two Ohio Public Works Issue II loans outstanding, one for a water well replacement and one for sewer treatment plant improvements. The City also has one long-term loan outstanding for a water tank.

For additional information on debt, see Note 14 to the basic financial statements.

Current Finance Related Activities

The City has endured the loss of several businesses during the current economic downturn. We do not like to see vacant storefronts and businesses but are encouraged by the interest in additional medical facilities that will begin breaking ground during the fall of 2010 in the Farson Street area. This new facility will bring jobs, increasing the tax base for the city and increasing traffic for current and new businesses. The City is committed to improving the safety of our city by beginning the task of replacing fire hydrants that have been in place for over 50 years. Four hydrants are scheduled for replacement in 2010, with additional replacements to follow each year until we are completely upgraded. The City has experienced the benefits of the energy savings project that was implemented in 2006 by maintaining level energy costs for street lighting over the last year.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Leslie Pittenger, Belpre City Auditor, 715 Park Drive, Belpre, Ohio 45714, 740-423-7592.

Basic
Financial Statements

City of Belpre, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,640,165	\$919,873	\$2,560,038
Cash and Cash Equivalents in Segregated Accounts	8,281	0	8,281
Investments	0	50,000	50,000
Permissive Tax Receivable	3,938	0	3,938
Accounts Receivable	48,836	290,029	338,865
Intergovernmental Receivable	296,022	0	296,022
Municipal Income Tax Receivable	335,655	0	335,655
Materials and Supplies Inventory	20,945	3,318	24,263
Prepaid Items	21,955	10,968	32,923
Property Taxes Receivable	353,765	0	353,765
Non-Depreciable Capital Assets	2,744,328	250,754	2,995,082
Depreciable Capital Assets, Net	<u>11,179,364</u>	<u>13,712,895</u>	<u>24,892,259</u>
<i>Total Assets</i>	<u>16,653,254</u>	<u>15,237,837</u>	<u>31,891,091</u>
Liabilities			
Accounts Payable	47,741	70,443	118,184
Accrued Wages Payable	16,147	7,499	23,646
Intergovernmental Payables	53,078	15,893	68,971
Deferred Revenue	311,324	0	311,324
Accrued Interest Payable	112	2,930	3,042
Judgments Payable	10,000	0	10,000
Vacation Benefits Payable	35,195	16,887	52,082
Due to Others	200	0	200
Customer Deposits Payable	0	201,659	201,659
Long-Term Liabilities:			
Due Within One Year	122,735	743,857	866,592
Due In More Than One Year	<u>858,650</u>	<u>5,012,141</u>	<u>5,870,791</u>
<i>Total Liabilities</i>	<u>1,455,182</u>	<u>6,071,309</u>	<u>7,526,491</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	12,991,458	8,221,474	21,212,932
Restricted for:			
Transportation	501,049	0	501,049
Capital Projects	18,466	0	18,466
Unclaimed Monies	1,919	0	1,919
Other Purposes	158,246	0	158,246
Unrestricted	<u>1,526,934</u>	<u>945,054</u>	<u>2,471,988</u>
<i>Total Net Assets</i>	<u>\$15,198,072</u>	<u>\$9,166,528</u>	<u>\$24,364,600</u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$634,203	\$193,249	\$290	\$0
Security of Persons and Property:				
Police	1,038,355	152,946	200	0
Fire	218,769	160,725	0	0
Public Health Services	41,547	16,882	2,928	0
Transportation	1,214,974	53,162	325,237	0
Leisure Time Activities:				
Senior Center	57,233	0	7,654	0
Parks	147,281	4,000	4,118	5,000
Pool	89,086	44,318	4,456	0
Community Environment	132,913	0	188,370	0
Interest and Fiscal Charges	41,746	0	0	0
<i>Total Governmental Activities</i>	3,616,107	625,282	533,253	5,000
Business-Type Activities				
Sanitation	660,307	741,083	0	0
Sewer	1,284,107	1,355,712	0	0
Water	724,232	950,802	0	7,308
<i>Total Business-Type Activities</i>	2,668,646	3,047,597	0	7,308
<i>Total</i>	\$6,284,753	\$3,672,879	\$533,253	\$12,308

General Revenues

Property Taxes Levied for General Purposes
Income Tax Levied for General Purposes
Franchise Tax
Grants and Entitlements not Restricted to Specific Programs
Interest
Donations
Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 4)

Net Assets 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
(\$440,664)	\$0	(\$440,664)
(885,209)	0	(885,209)
(58,044)	0	(58,044)
(21,737)	0	(21,737)
(836,575)	0	(836,575)
(49,579)	0	(49,579)
(134,163)	0	(134,163)
(40,312)	0	(40,312)
55,457	0	55,457
(41,746)	0	(41,746)
<u>(2,452,572)</u>	<u>0</u>	<u>(2,452,572)</u>
0	80,776	80,776
0	71,605	71,605
0	233,878	233,878
<u>0</u>	<u>386,259</u>	<u>386,259</u>
<u>(2,452,572)</u>	<u>386,259</u>	<u>(2,066,313)</u>
255,603	0	255,603
939,134	0	939,134
122,291	0	122,291
393,613	0	393,613
8,671	0	8,671
1,000	0	1,000
30,492	5,721	36,213
<u>1,750,804</u>	<u>5,721</u>	<u>1,756,525</u>
(701,768)	391,980	(309,788)
<u>15,899,840</u>	<u>8,774,548</u>	<u>24,674,388</u>
<u>\$15,198,072</u>	<u>\$9,166,528</u>	<u>\$24,364,600</u>

City of Belpre, Ohio

Balance Sheet

Governmental Funds

December 31, 2010

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,099,604	\$214,242	\$324,400	\$1,638,246
Cash and Cash Equivalents in Segregated Accounts	7,250	0	1,031	8,281
Restricted Cash	1,919	0	0	1,919
Receivables:				
Permissive Tax	0	0	3,938	3,938
Accounts	47,217	249	1,370	48,836
Municipal Income Tax	335,655	0	0	335,655
Property Taxes	353,765	0	0	353,765
Intergovernmental	133,897	143,080	19,045	296,022
Materials and Supplies Inventory	547	20,398	0	20,945
Prepaid Items	17,361	2,275	2,319	21,955
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u><u>\$1,997,215</u></u>	<u><u>\$380,244</u></u>	<u><u>\$352,103</u></u>	<u><u>\$2,729,562</u></u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$23,512	\$4,642	\$19,587	\$47,741
Accrued Wages Payable	12,434	3,206	507	16,147
Intergovernmental Payables	41,095	6,373	5,610	53,078
Judgments Payable	10,000	0	0	10,000
Deferred Revenue	585,026	91,187	7,472	683,685
Due to Others	200	0	0	200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>672,267</u>	<u>105,408</u>	<u>33,176</u>	<u>810,851</u>
 Fund Balances				
Nonspendable	17,908	22,673	2,319	42,900
Restricted	1,919	252,163	243,938	498,020
Committed	2,741	0	72,670	75,411
Assigned	1,478	0	0	1,478
Unassigned	1,300,902	0	0	1,300,902
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>1,324,948</u>	<u>274,836</u>	<u>318,927</u>	<u>1,918,711</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,997,215</u></u>	<u><u>\$380,244</u></u>	<u><u>\$352,103</u></u>	<u><u>\$2,729,562</u></u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Total Governmental Fund Balances \$1,918,711

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 13,923,692

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	42,441	
Municipal Income Tax	143,396	
Charges for Services	1,954	
Intergovernmental Revenues	180,035	
Other Revenues	4,535	
Total	372,361	372,361

Some liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

Police Pension Payable	(19,712)	
Accrued Interest Payable	(112)	
Capital Leases Payable	(932,234)	
Compensated Absences Payable	(29,439)	
Vacation Benefits Payable	(35,195)	
Total	(1,016,692)	(1,016,692)

Net Assets of Governmental Activities \$15,198,072

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Street	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$238,503	\$0	\$0	\$238,503
Municipal Income Tax	1,020,429	0	0	1,020,429
Motor Vehicle License Tax	0	0	53,162	53,162
Charges for Services	355,040	0	48,318	403,358
Fines, Licenses and Permits	274,689	0	18,770	293,459
Intergovernmental	404,080	308,256	214,800	927,136
Interest	8,671	950	97	9,718
Donations	13,944	0	8,574	22,518
Other	11,074	2,053	12,830	25,957
<i>Total Revenues</i>	<u>2,326,430</u>	<u>311,259</u>	<u>356,551</u>	<u>2,994,240</u>
Expenditures				
Current:				
General Government	628,520	0	0	628,520
Security of Persons and Property:				
Police	1,038,579	0	25,811	1,064,390
Fire	167,985	0	0	167,985
Public Health Services	41,547	0	0	41,547
Transportation	69,657	405,465	34,434	509,556
Leisure Time Activities:				
Senior Center	50,740	0	0	50,740
Parks	0	0	87,848	87,848
Pool	0	0	58,904	58,904
Community Environment	0	0	132,913	132,913
Capital Outlay	92,255	0	0	92,255
Debt Service:				
Principal Retirement	117,319	0	0	117,319
Interest and Fiscal Charges	41,746	0	0	41,746
<i>Total Expenditures</i>	<u>2,248,348</u>	<u>405,465</u>	<u>339,910</u>	<u>2,993,723</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>78,082</u>	<u>(94,206)</u>	<u>16,641</u>	<u>517</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	3,721	1,185	0	4,906
Transfers In	0	90,000	100,000	190,000
Transfers Out	(190,000)	0	0	(190,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(186,279)</u>	<u>91,185</u>	<u>100,000</u>	<u>4,906</u>
<i>Net Change in Fund Balances</i>	<u>(108,197)</u>	<u>(3,021)</u>	<u>116,641</u>	<u>5,423</u>
<i>Fund Balances Beginning of Year</i>	<u>1,433,145</u>	<u>277,857</u>	<u>202,286</u>	<u>1,913,288</u>
<i>Fund Balances End of Year</i>	<u>\$1,324,948</u>	<u>\$274,836</u>	<u>\$318,927</u>	<u>\$1,918,711</u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
*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 \$5,423

*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. In the current period, these amounts are:

Capital Outlay	273,489	
Depreciation	<u>(1,003,313)</u>	(729,824)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (6,482)

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

Property Taxes	17,100	
Municipal Income Tax	(81,295)	
Charges for Services	(2,406)	
Estate Tax	(11,682)	
State Shared Revenues	(5,673)	
Tax Reimbursements	(480)	
Other Revenues	<u>4,535</u>	
Total		(79,901)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 117,771

Interest is reported as a program expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. (2)

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:

Vacation Benefits Payable	(3,643)	
Compensated Absences Payable - Sick	<u>(5,110)</u>	
Total		<u>(8,753)</u>

Change in Net Assets of Governmental Activities (\$701,768)

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			Variance with Final Budget Over Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$333,197	\$333,197	\$238,503	(\$94,694)
Municipal Income Tax	1,062,082	1,062,082	1,036,728	(25,354)
Hotel Tax	472	472	322	(150)
Charges for Services	488,786	488,786	355,972	(132,814)
Fines, Licenses and Permits	213,225	213,225	268,847	55,622
Intergovernmental	356,310	356,310	435,512	79,202
Interest	12,191	12,191	9,812	(2,379)
Donations	7,500	7,500	15,376	7,876
Other	9,102	9,102	9,969	867
<i>Total Revenues</i>	<u>2,482,865</u>	<u>2,482,865</u>	<u>2,371,041</u>	<u>(111,824)</u>
Expenditures				
Current:				
General Government	673,315	677,515	626,146	51,369
Security of Persons and Property:				
Police	1,115,888	1,115,888	1,031,189	84,699
Fire	165,880	165,880	170,601	(4,721)
Public Health Services	38,305	38,305	39,214	(909)
Transportation	65,254	65,254	69,520	(4,266)
Leisure Time Activities - Senior Center	52,700	54,150	51,150	3,000
Capital Outlay	45,900	97,900	94,996	2,904
Debt Service:				
Principal Retirement	118,272	118,272	117,319	953
Interest and Fiscal Charges	42,230	42,230	41,746	484
<i>Total Expenditures</i>	<u>2,317,744</u>	<u>2,375,394</u>	<u>2,241,881</u>	<u>133,513</u>
<i>Excess of Revenues Over Expenditures</i>	<u>165,121</u>	<u>107,471</u>	<u>129,160</u>	<u>21,689</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	3,721	3,721
Transfers Out	(215,000)	(215,000)	(190,000)	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>(215,000)</u>	<u>(215,000)</u>	<u>(186,279)</u>	<u>28,721</u>
<i>Net Change in Fund Balance</i>	(49,879)	(107,529)	(57,119)	50,410
<i>Fund Balance Beginning of Year</i>	1,089,154	1,089,154	1,089,154	0
Prior Year Encumbrances Appropriated	55,829	55,829	55,829	0
<i>Fund Balance End of Year</i>	<u>\$1,095,104</u>	<u>\$1,037,454</u>	<u>\$1,087,864</u>	<u>\$50,410</u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$280,747	\$280,747	\$313,716	\$32,969
Interest	719	719	975	256
Other	16,006	16,006	6,643	(9,363)
<i>Total Revenues</i>	<u>297,472</u>	<u>297,472</u>	<u>321,334</u>	<u>23,862</u>
Expenditures				
Current:				
Transportation	332,010	395,710	421,680	(25,970)
<i>Excess of Revenues Under Expenditures</i>	<u>(34,538)</u>	<u>(98,238)</u>	<u>(100,346)</u>	<u>(2,108)</u>
Other Financing Sources				
Sale of Capital Assets	232	232	1,185	953
Transfers In	90,000	90,000	90,000	0
<i>Total Other Financing Sources</i>	<u>90,232</u>	<u>90,232</u>	<u>91,185</u>	<u>953</u>
<i>Net Change in Fund Balance</i>	55,694	(8,006)	(9,161)	(1,155)
<i>Fund Balance Beginning of Year</i>	212,044	212,044	212,044	0
Prior Year Encumbrances Appropriated	5,702	5,702	5,702	0
<i>Fund Balance End of Year</i>	<u>\$273,440</u>	<u>\$209,740</u>	<u>\$208,585</u>	<u>(\$1,155)</u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2010

	<u>Sanitation</u>	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$470,885	\$210,611	\$86,718	\$768,214
Accounts Receivable	68,797	134,697	86,535	290,029
Materials and Supplies Inventory	0	2,123	1,195	3,318
Restricted Assets:				
Customer Deposits	0	0	151,659	151,659
Investments	0	0	50,000	50,000
Prepaid Items	1,748	4,509	4,711	10,968
<i>Total Current Assets</i>	<u>541,430</u>	<u>351,940</u>	<u>380,818</u>	<u>1,274,188</u>
Noncurrent:				
Non-Depreciable Capital Assets	0	78,805	171,949	250,754
Depreciable Capital Assets, Net	0	7,167,593	6,545,302	13,712,895
<i>Total Noncurrent Assets</i>	<u>0</u>	<u>7,246,398</u>	<u>6,717,251</u>	<u>13,963,649</u>
<i>Total Assets</i>	<u>541,430</u>	<u>7,598,338</u>	<u>7,098,069</u>	<u>15,237,837</u>
Liabilities				
Current:				
Accounts Payable	22,184	27,792	20,467	70,443
Accrued Wages Payable	94	5,823	1,582	7,499
Intergovernmental Payables	697	11,318	3,878	15,893
Accrued Interest Payable	0	1,485	1,445	2,930
Vacation Benefits Payable	387	10,636	5,864	16,887
Capital Lease Payable	0	378,184	301,809	679,993
Loans Payable	0	0	50,277	50,277
Issue II Loans Payable	0	9,686	3,901	13,587
Customer Deposits Payable from Restricted Assets	0	0	201,659	201,659
<i>Total Current Liabilities</i>	<u>23,362</u>	<u>444,924</u>	<u>590,882</u>	<u>1,059,168</u>
Long-Term:				
Capital Lease Payable	0	2,505,383	1,999,416	4,504,799
Loans Payable	0	0	308,675	308,675
Issue II Loans Payable	0	138,841	46,003	184,844
Compensated Absences Payable	358	7,628	5,837	13,823
<i>Total Long-Term Liabilities</i>	<u>358</u>	<u>2,651,852</u>	<u>2,359,931</u>	<u>5,012,141</u>
<i>Total Liabilities</i>	<u>23,720</u>	<u>3,096,776</u>	<u>2,950,813</u>	<u>6,071,309</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt Unrestricted	0	4,214,304	4,007,170	8,221,474
	517,710	287,258	140,086	945,054
<i>Total Net Assets</i>	<u>\$517,710</u>	<u>\$4,501,562</u>	<u>\$4,147,256</u>	<u>\$9,166,528</u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2010*

	Sanitation	Sewer	Water	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$741,083	\$1,355,712	\$950,802	\$3,047,597
Other Operating Revenues	0	377	5,344	5,721
<i>Total Operating Revenues</i>	<u>741,083</u>	<u>1,356,089</u>	<u>956,146</u>	<u>3,053,318</u>
Operating Expenses				
Salaries and Wages	5,005	308,241	122,184	435,430
Fringe Benefits	3,063	131,551	57,484	192,098
Contractual Services	646,892	339,097	186,029	1,172,018
Materials and Supplies	5,347	93,568	75,936	174,851
Depreciation	0	211,756	153,366	365,122
Other	0	0	183	183
<i>Total Operating Expenses</i>	<u>660,307</u>	<u>1,084,213</u>	<u>595,182</u>	<u>2,339,702</u>
<i>Operating Income</i>	<u>80,776</u>	<u>271,876</u>	<u>360,964</u>	<u>713,616</u>
Non-Operating Expenses				
Loss on Disposal of Assets	0	(67,747)	(1,924)	(69,671)
Interest and Fiscal Charges	0	(132,147)	(127,126)	(259,273)
<i>Total Non-Operating Expenses</i>	<u>0</u>	<u>(199,894)</u>	<u>(129,050)</u>	<u>(328,944)</u>
<i>Income Before Contribution</i>	80,776	71,982	231,914	384,672
Capital Contributions	0	0	7,308	7,308
<i>Change in Net Assets</i>	80,776	71,982	239,222	391,980
<i>Net Assets Beginning of Year- Restated (See Note 4)</i>	<u>436,934</u>	<u>4,429,580</u>	<u>3,908,034</u>	<u>8,774,548</u>
<i>Net Assets End of Year</i>	<u><u>\$517,710</u></u>	<u><u>\$4,501,562</u></u>	<u><u>\$4,147,256</u></u>	<u><u>\$9,166,528</u></u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2010

	Sanitation	Sewer	Water	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$738,670	\$1,425,904	\$945,653	\$3,110,227
Cash Payments for Employee Services and Benefits	(7,580)	(441,848)	(176,068)	(625,496)
Cash Payments to Suppliers for Goods and Services	(659,078)	(425,539)	(257,048)	(1,341,665)
Other Operating Revenues	0	111	5,344	5,455
Other Operating Expenses	0	0	(200)	(200)
Customer Deposits Received	0	0	18,675	18,675
Customer Deposits Returned	0	0	(2,146)	(2,146)
<i>Net Cash Provided by Operating Activities</i>	<u>72,012</u>	<u>558,628</u>	<u>534,210</u>	<u>1,164,850</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	0	(2,675)	(46,653)	(49,328)
Proceeds from Sale of Capital Assets	0	0	1,240	1,240
Principal Paid on Loans	0	(4,771)	(49,953)	(54,724)
Principal Paid on Capital Leases	0	(362,888)	(289,602)	(652,490)
Interest Paid on Debt	0	(130,662)	(126,689)	(257,351)
Capital Contributions	0	0	7,308	7,308
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>0</u>	<u>(500,996)</u>	<u>(504,349)</u>	<u>(1,005,345)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	72,012	57,632	29,861	159,505
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>398,873</u>	<u>152,979</u>	<u>208,516</u>	<u>760,368</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$470,885</u></u>	<u><u>\$210,611</u></u>	<u><u>\$238,377</u></u>	<u><u>\$919,873</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
<i>Operating Income</i>	\$80,776	\$271,876	\$360,964	\$713,616
Adjustments:				
Depreciation	0	211,756	153,366	365,122
(Increase)/Decrease in Assets:				
Accounts Receivable	(2,413)	69,590	(10,463)	56,714
Materials and Supplies Inventory	0	(356)	374	18
Prepaid Items	(150)	502	254	606
Increase/(Decrease) in Liabilities:				
Accounts Payable	(6,797)	6,474	8,798	8,475
Accrued Wages Payable	19	514	585	1,118
Intergovernmental Payables	516	4,259	868	5,643
Vacation Benefits Payable	3	(3,974)	1,087	(2,884)
Customer Deposits	0	0	16,529	16,529
Compensated Absences Payable	58	(2,013)	1,848	(107)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$72,012</u></u>	<u><u>\$558,628</u></u>	<u><u>\$534,210</u></u>	<u><u>\$1,164,850</u></u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2010

Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$3,089</u>
<i>Total Assets</i>	<u><u>\$3,089</u></u>
Liabilities	
Intergovernmental Payables	\$2,677
Due to Others	<u>412</u>
<i>Total Liabilities</i>	<u><u>\$3,089</u></u>

See accompanying notes to the basic financial statements

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 1 - Description of the City and Reporting Entity

The City of Belpre (the "City") is a home-rule municipal corporation, incorporated under the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. Located in the southern part of Washington County, Belpre became a city in 1961. The Mayor, Auditor, Treasurer, and Law Director, all with four year terms, and an eight member Council, with two year terms, are elected. Department directors and public members of various boards and commissions are appointed by the Mayor.

Reporting Entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Belpre, this includes various services including police protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation, water and water pollution control, and general administrative services. The operation of each of these activities is directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City participates in the Community Action Program Corporation of Washington-Morgan Counties, Ohio, and the Wood, Washington, and Wirt Planning Commission, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Belpre have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund The General Fund accounts and reports for all financial resources not accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund The Street Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the City.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

Sanitation Fund The Sanitation Fund is used to account for sanitation billing revenues used to provide sanitation services.

Sewer Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

Water Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for payroll activity, pass-thru activity, and mayor's court collections that are distributed to various local governments.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: municipal income taxes, hotel taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees, and rentals.

Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

E. Budget Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department level and, within each, at the personal services and other operating level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were adopted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool, except for an investment of the Water Enterprise Fund which is invested separately. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City has a segregated bank account for monies held separate from the City's central bank account. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the City's treasury. The cash of the Mayor's Court is included in this line item.

During 2010, investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Following the Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the General Fund and Street and State Highway Special Revenue Funds. Interest revenue credited to the General Fund during 2010 amounted to \$8,671, which includes \$4,548 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used. Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted in the General Fund.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of one thousand dollars. The City's infrastructure consists of U.S. and State roads, City streets, street signs, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 - 50 years	20 - 50 years
Machinery and Equipment	5 - 20 years	5 - 20 years
Vehicles	8 years	8 years
Infrastructure	30 years	50 - 65 years

The City’s infrastructure consists of City streets, street signs, traffic signals, and water and sewer systems and includes infrastructure acquired prior to December 31, 1980.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as “vacation benefits payable”. The balances are to be used by employees in the year following the year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten year years of service.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities related to the mayor's court, the City's parks and pool, and law enforcement activities.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sanitation, sewer, and water utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as non-operating.

P. Contributions of Capital

Contributions of capital in the proprietary fund financial statements can arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions during 2010 arose from tap-in fees.

Q. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Estimates

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

Note 3 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and the Street Special Revenue Fund.

Net Change in Fund Balance

	General	Street
GAAP Basis	(\$108,197)	(\$3,021)
Net Adjustment for Revenue Accruals	56,504	3,003
Beginning of Year:		
Unrecorded Items	392	7,072
Prepaid Items	26,137	3,092
Segregated Accounts	3,622	0
End of Year:		
Unrecorded Items	(8,657)	0
Prepaid Items	(17,361)	(2,275)
Segregated Accounts	(7,250)	0
Net Adjustment for Expenditure Accruals	2,493	(11,375)
Encumbrances	(4,802)	(5,657)
Budget Basis	(\$57,119)	(\$9,161)

Note 4 - Change in Accounting Principles and Restatement of Prior Year Balances

A. Change in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

B. Restatement of Prior Year Balances

In prior years, accumulated depreciation was overstated. Net assets were restated as follows:

	Governmental Activities	Business-type Activities	Sewer Fund	Water Fund
Net Assets as Previously Reported	\$15,116,642	\$8,495,157	\$4,260,148	\$3,798,075
Accumulated Depreciation	783,198	279,391	169,432	109,959
Net Assets - December 31, 2009	\$15,899,840	\$8,774,548	\$4,429,580	\$3,908,034

Note 5 – Accountability and Compliance

A. Accountability

The Mayor’s Court Computerization Special Revenue Fund had a deficit fund balance of \$771 as of December 31, 2010. The deficit is the result of the recognition of accounts payables. The General Fund is liable for any deficits in this fund and will provide operating transfers when cash is required, not when accruals occur.

B. Statutory Compliance

- i.* The City had expenditures exceeding appropriations in noncompliance with Ohio Revised Code Section 5705.41(B) at December 31, 2010. This resulted in the City being noncompliant with Ohio Revised Code 5705.40 for not properly amending its appropriations throughout the year or at year end for the year ended December 31, 2010.
- ii.* The City did not properly certify disbursements in accordance with Ohio Revised Code Section 5705.41(D) for the year ended December 31, 2010.

Note 6 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Fund Balances	General	Street	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepays	\$17,361	\$2,275	\$2,319	\$21,955
Inventory	547	20,398	0	20,945
<i>Total Nonspendable</i>	<u>17,908</u>	<u>22,673</u>	<u>2,319</u>	<u>42,900</u>
<u>Restricted for:</u>				
Street Improvements	0	252,163	142,451	394,614
Community Development	0	0	69,434	69,434
Law enforcement	0	0	5,120	5,120
Drug and alcohol enforcement	0	0	1,712	1,712
Pool Improvements	0	0	14,261	14,261
Mayor's Court	0	0	6,755	6,755
Unclaimed monies	1,919	0	0	1,919
Issue 11 Improvements	0	0	4,205	4,205
<i>Total Restricted</i>	<u>1,919</u>	<u>252,163</u>	<u>243,938</u>	<u>498,020</u>
<u>Committed to:</u>				
Parks and Recreation	0	0	65,357	65,357
Swimming pool operations	0	0	7,313	7,313
Other purposes	2,741	0	0	2,741
<i>Total Committed</i>	<u>2,741</u>	<u>0</u>	<u>72,670</u>	<u>75,411</u>
<u>Assigned to:</u>				
Other purposes	1,478	0	0	1,478
<i>Total Assigned</i>	<u>1,478</u>	<u>0</u>	<u>0</u>	<u>1,478</u>
<u>Unassigned:</u>	<u>1,300,902</u>	<u>0</u>	<u>0</u>	<u>1,300,902</u>
Total Fund Balances	<u><u>\$1,324,948</u></u>	<u><u>\$274,836</u></u>	<u><u>\$318,927</u></u>	<u><u>\$1,918,711</u></u>

Note 7 - 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 that Council has identified as not required for use within the current five 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.

City of Belpre, Ohio
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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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director 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.

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

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 two 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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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. Historically, the City has not purchased these types of investments or issued these types of notes. 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 investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$2,621,208 and the bank balance was \$2,607,771. Of the bank balance, \$516,212 was covered by Federal depository insurance; \$2,091,559 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 - Receivables

Receivables at December 31, 2010, consisted of municipal income tax, property taxes, permissive tax, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures, as of 2010, is no longer levied and collected. 2010 is the last year for the collection of tangible personal property taxes from telephone companies; however, the City received no tangible personal property tax revenue from the telephone company property.

The full tax rate for all City operations for the year ended December 31, 2010, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$99,309,280
Public Utility Tangible Property	<u>3,127,360</u>
	<u><u>\$102,436,640</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Belpre. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. Income Taxes

The City levies a municipal income tax of one percent on substantially all earned income arising from employment or business activities within the City as well as income of residents earned outside of the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to the General Fund.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Excise Tax	\$87,906
Estate Tax	29,669
Local Government	67,126
Gasoline Tax	42,156
Motor Vehicle License Tax	24,533
Rollback and Homestead	25,285
Personal Property Tax Reimbursements	2,735
CHIP	5,530
Ohio Public Works Commission	4,535
Traffic Study Grant	2,000
Medicaid	1,647
Health Subsidy	1,166
Other	761
Public Utility Reimbursement	973
	<u><u>\$296,022</u></u>

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the City contracted with Wells Fargo Insurance Services USA, Inc.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the last three years. The various types of coverages, limits, and deductibles are as follows:

City of Belpre, Ohio
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Type of Coverage	Limit	Aggregate	Deductible
Property:			
Building and Contents	\$19,729,215		\$1,000
Boiler and Machinery	19,729,215		1,000
Earthquake	2,000,000		50,000
Valuable Papers and Records	250,000		1,000
Business Income with Extra Expenses	250,000		1,000
Computer Equipment	250,000		1,000
Liability:			
General	1,000,000 per Occurrence	\$3,000,000	0
Employee Benefits	1,000,000 per Occurrence	3,000,000	1,000
Public Officials Wrongful Acts	1,000,000 per Occurrence	3,000,000	2,500
Police Professional	1,000,000 per Occurrence	3,000,000	2,500
Ohio Stop Gap	1,000,000 per Occurrence	3,000,000	0
Vehicle:			
Liability	1,000,000		0
Medical Expense	5,000		0
Uninsured/Underinsured	0		0
Hired Car Physical Damage	25,000		
Comprehensive; Collision			1,000;1,000
Crime:			
Inside/Outside Premise	50,000		500
Employee Dishonesty Blanket	250,000		500
Forgery and Alterations	100,000		500

The City pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 9 - Capital Assets

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

	Restated Balance 12/31/09	Increases	Decreases	Balance 12/31/10
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$2,736,418	\$0	\$0	\$2,736,418
Construction in Progress	0	7,910	0	7,910
Total Capital Assets not being Depreciated	<u>2,736,418</u>	<u>7,910</u>	<u>0</u>	<u>2,744,328</u>
Capital Assets being Depreciated:				
Buildings and Improvements	4,288,713	16,765	4,529	4,300,949
Machinery and Equipment	943,555	78,070	194,865	826,760
Vehicles	1,912,601	170,744	66,694	2,016,651
City Streets	21,173,996	0	0	21,173,996
Street Signals	698,289	0	0	698,289
Total Capital Assets being Depreciated	<u>29,017,154</u>	<u>265,579</u>	<u>266,088</u>	<u>29,016,645</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,443,127)	(105,078)	(905)	(1,547,300)
Machinery and Equipment	(631,460)	(52,195)	(192,007)	(491,648)
Vehicles	(1,437,356)	(92,056)	(66,694)	(1,462,718)
City Streets	(13,184,423)	(729,655)	0	(13,914,078)
Street Signals	(397,208)	(24,329)	0	(421,537)
Total Accumulated Depreciation	<u>(17,093,574)</u>	<u>(1,003,313) *</u>	<u>(259,606)</u>	<u>(17,837,281)</u>
Total Capital Assets being Depreciated, Net	<u>11,923,580</u>	<u>(737,734)</u>	<u>6,482</u>	<u>11,179,364</u>
Governmental Activities Capital Assets, Net	<u>\$14,659,998</u>	<u>(\$729,824)</u>	<u>\$6,482</u>	<u>\$13,923,692</u>

* Depreciation expense was charged to governmental programs as follows:

General Government	\$21,752
Security of Persons and Property:	
Police	39,844
Fire	65,011
Transportation	791,475
Leisure Time Activities:	
Senior Center	6,493
Parks	48,556
Pool	30,182
Total Depreciation Expense	<u>\$1,003,313</u>

City of Belpre, Ohio
Notes to the Basic Financial Statements
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	Restated Balance 12/31/09	Increases	Decreases	Balance 12/31/10
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$250,754	\$0	\$0	\$250,754
Total Capital Assets not being Depreciated	250,754	0	0	250,754
Capital Assets being Depreciated:				
Buildings and Improvements	792,273	0	1,284	790,989
Machinery and Equipment	1,218,858	8,483	48,556	1,178,785
Vehicles	132,163	17,551	8,506	141,208
Infrastructure	16,778,133	23,294	156,954	16,644,473
Total Capital Assets being Depreciated	18,921,427	49,328	215,300	18,755,455
Less Accumulated Depreciation:				
Buildings and Improvements	(244,032)	(14,957)	(1,284)	(257,705)
Machinery and Equipment	(868,463)	(55,351)	(42,289)	(881,525)
Vehicles	(104,199)	(6,764)	(8,506)	(102,457)
Infrastructure	(3,605,133)	(288,050)	(92,310)	(3,800,873)
Total Accumulated Depreciation	(4,821,827)	(365,122)	(144,389)	(5,042,560)
Total Capital Assets being Depreciated, Net	14,099,600	(315,794)	70,911	13,712,895
Business-Type Activities Capital Assets, Net	\$14,350,354	(\$315,794)	\$70,911	\$13,963,649

Note 10 - Employee Benefits

A. Insurance

The City provides \$15,000 in life insurance and accidental death and dismemberment insurance for the union employees. The insurance is provided through the AFSCME Care Plan for AFSCME union members and through United Commercial Travelers for police personnel.

The City provides comprehensive major medical insurance for full time employees, other than police, through Medical Mutual and for police through the United Food & Commercial Worker's Union. The City pays 80% of the total monthly premium for the first plan and 100% of the monthly premium for the second plan. Premiums are paid from the same funds that pay the employees' salaries.

B. Compensated Absences

The criteria for determining vested sick leave are derived from negotiated agreements and State laws. Upon retirement, all employees with ten or more years of service with the City are paid twenty-five percent of their sick leave up to a maximum of 240 hours; however, union employees under the American Federation of State, County, and Municipal Employees with twenty or more years of service are paid twenty-five percent of their sick leave up to a maximum of 300 hours. Upon voluntary termination, death, or retirement, all employees will receive 100% of vacation earned for the current year and not previously taken.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 11 - Interfund Activity

Interfund transfers during 2010 consisted of the following:

Transfers to	Transfers from General
Special Revenue Funds:	
Street	\$90,000
Parks and Recreation	100,000
	\$190,000

Generally, transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

The transfers from the General Fund to the Special Revenue Funds were made to supplement any revenue shortfalls.

Internal fund balances between governmental funds are eliminated on the government-wide financial statements; therefore no internal balances at December 31, 2010 are reported on the statement of net assets. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Note 12 - Capital Leases - Lessee Disclosure

In previous years, the City entered into a capitalized lease for energy and pool improvements. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. The City made principal payments during 2010 of \$117,319 in the governmental activities and \$652,490 in the business-type activities. Under the terms of the capital lease, the lessor deposited the amount sufficient to capitalize the entire cost of the construction under the lease in an interest-bearing escrow account established by a bank escrow agent and held for the benefit of the City of Belpre. The City requested the escrow agent to disburse payments to the contractor during the construction period as work was completed. The account was closed during 2008 when construction was completed.

The assets constructed through the capital lease are as follows:

	Governmental Activities	Business-Type Activities
Property under Capital Lease	\$1,337,675	\$7,503,557
Less Accumulated Depreciation	(72,302)	(317,457)
Total at December 31, 2010	\$1,265,373	\$7,186,100

City of Belpre, Ohio
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The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2011	\$159,065	\$884,670	\$1,043,735
2012	159,065	884,670	1,043,735
2013	159,065	884,670	1,043,735
2014	159,065	884,670	1,043,735
2015	159,065	884,670	1,043,735
2016-2017	397,663	1,548,173	1,945,836
Total Minimum Lease Payments	1,192,988	5,971,523	7,164,511
Less: Amount Representing Interest	(260,754)	(786,731)	(1,047,485)
Present Value of Net Minimum Lease Payments	<u>\$932,234</u>	<u>\$5,184,792</u>	<u>\$6,117,026</u>

Note 13 - Long-Term Obligations

A schedule of changes in long-term obligations of the City during 2010 follows:

	Principal Outstanding 12/31/09	Additions	Retirements	Principal Outstanding 12/31/10	Amounts Due in One Year
Governmental Activities:					
Capital Lease	\$1,049,553	\$0	\$117,319	\$932,234	\$122,264
Police Pension	20,164	0	452	19,712	471
Compensated Absences - Sick	24,329	5,110	0	29,439	0
Total Governmental Activities	<u>\$1,094,046</u>	<u>\$5,110</u>	<u>\$117,771</u>	<u>\$981,385</u>	<u>\$122,735</u>
Business-Type Activities:					
Issue II Water Well - 2%	\$51,825	\$0	\$1,921	\$49,904	\$3,901
Water Tank Loan - 4.52%	406,984	0	48,032	358,952	50,277
Issue II Treatment Plant - 2%	153,298	0	4,771	148,527	9,686
Total Loans	<u>612,107</u>	<u>0</u>	<u>54,724</u>	<u>557,383</u>	<u>63,864</u>
Capital Lease	5,837,282	0	652,490	5,184,792	679,993
Compensated Absences - Sick	13,930	5,599	5,706	13,823	0
Total Business-Type Activities	<u>\$6,463,319</u>	<u>\$5,599</u>	<u>\$712,920</u>	<u>\$5,755,998</u>	<u>\$743,857</u>

The police pension is paid from general property tax revenues from the General Fund. The police pension liability payments are reflected as program expenditures. Capital leases will be paid from energy savings from the General Fund and the Water and Sewer Enterprise Funds. Compensated absences for sick leave liabilities will be paid from the General Fund, Street Special Revenue Fund, and Sanitation, Sewer, and Water Enterprise Funds. The Sewer Fund made severance payments during 2010.

The final draw on the Issue II water well loan was received on September 18, 2000. The full amount of the loan was \$80,103 and was used for improvements to the water well. Charges for services in the Water Enterprise Fund will repay this obligation.

City of Belpre, Ohio
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On July 10, 2003, the City was approved for an \$850,000 loan to construct a new water storage tank. The first draws on the loan were not made until 2004. Since the project was completed under budget, the City did not borrow the full amount of the approved loan. The amount borrowed was \$646,484. Charges for services in the Water Enterprise Fund will repay this obligation.

The final draw on the Issue II treatment plant loan was received in 2003. The full amount of the loan was \$207,000. On November 18, 1999, the City was approved for a \$1,023,600 loan for its portion of the Issue II treatment plant project. Since the treatment plant improvements were completed under budget, the City did not borrow the full amount of the approved loan. The amount borrowed was \$850,444. Charges for services in the Sewer Enterprise Fund will repay these obligations.

The City's overall legal debt margin was \$10,755,847 at December 31, 2010.

Principal and interest requirements to retire the police pension liability at December 31, 2010, are as follows:

Year	Principal	Interest	Total
2011	\$471	\$833	\$1,304
2012	492	813	1,305
2013	513	791	1,304
2014	534	770	1,304
2015	558	746	1,304
2016-2035	17,144	8,225	25,369
	<u>\$19,712</u>	<u>\$12,178</u>	<u>\$31,890</u>

Principal and interest requirements to retire the Issue II water well loan at December 31, 2010, are as follows:

Year	Principal	Interest	Total
2011	\$3,901	\$979	\$4,880
2012	3,979	900	4,879
2013	4,059	820	4,879
2014	4,141	739	4,880
2015	4,223	655	4,878
2016-2020	22,427	1,969	24,396
2021-2022	7,174	144	7,318
	<u>\$49,904</u>	<u>\$6,206</u>	<u>\$56,110</u>

Principal and interest requirements to retire the water storage tank loan at December 31, 2010, are as follows:

Year	Principal	Interest	Total
2011	\$50,277	\$15,400	\$65,677
2012	52,590	13,087	65,677
2013	55,091	10,586	65,677
2014	200,994	782	201,776
	<u>\$358,952</u>	<u>\$39,855</u>	<u>\$398,807</u>

City of Belpre, Ohio
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Principal and interest requirements to retire the Issue II treatment plant loan at December 31, 2010, are as follows:

Year	Principal	Interest	Total
2011	\$9,686	\$2,922	\$12,608
2012	9,881	2,727	12,608
2013	10,080	2,529	12,609
2014	10,283	2,326	12,609
2015	10,489	2,120	12,609
2016-2020	55,692	7,351	63,043
2021-2024	42,416	1,712	44,128
	\$148,527	\$21,687	\$170,214

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

City of Belpre, Ohio
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The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent 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 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008, were \$80,212, \$85,014, and \$60,688, respectively. For 2010, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. There were no contributions to the member-directed plan for 2010 for the City

B. Ohio Police and Fire Pension Fund

Plan Description – 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$70,101 and \$5,427 for the year ended December 31, 2010, \$76,428 and \$6,457 for the year ended December 31, 2009, and \$74,518 and \$7,154 for the year ended December 31, 2008, respectively. For 2010, 98 percent for police and 98 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Note 15 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

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 for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent 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 percent from January 1 through February 28, 2010, and 4.23 percent 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 benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008, were \$44,562, \$55,009, and \$60,688, respectively. For 2010, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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 increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term 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 OP&F meets the definition of 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 is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. 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.

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 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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 which were allocated to fund post-employment health care benefits for police and firefighters were \$37,112 and \$2,124 for the year ended December 31, 2010, \$40,462 and \$2,527 for the year ended December 31, 2009, and \$39,451 and \$2,799 for the year ended December 31, 2008, respectively. For 2010, 98 percent for police and 98 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 16 - Contingent Liabilities

A. Litigation

The City of Belpre is currently to party legal proceedings seeking damages against the City as confirmed by the City Law Director. The possible outcome or effects on the financial statements cannot be determined at year end.

B. Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. 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 17 - Jointly Governed Organizations

A. Community Action Program Corporation of Washington-Morgan Counties, Ohio

The Community Action Program Corporation of Washington-Morgan Counties, Ohio, is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program; the Community Action Bus Line (CABL); the Child Development Program; the Senior Nutrition Program; Women, Infants and Children's Supplemental Nutrition Program; the Home Weatherization Assistance and Energy Program; the Job Training and Partnership Act Program; Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program; and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Belpre and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2010, the Corporation did not receive any administrative fees from the City. These fees were received by the Corporation directly from the granting agencies. The continued existence of the Corporation is not dependent on the City's continued participation and the City does not have an equity interest in the Corporation.

City of Belpre, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

B. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives including the Mayor of the City of Belpre. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2010, the City of Belpre contributed \$2,178. The continued existence of the Commission is not dependent on the City's continued participation and the City does not have an equity interest in the Commission.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

Members of Council and Mayor
City of Belpre
715 Park Drive
Belpre, Ohio 45714

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 Belpre, Washington County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Belpre's basic financial statements and have issued our report thereon dated June 24, 2011. As disclosed in Note 4.B., the City has reported a prior period adjustment in the amounts reported as accumulated depreciation and net assets at December 31, 2009. 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 of Belpre's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City of Belpre's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the City of Belpre'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 deficiencies in internal control such that there is a reasonable possibility that material financial statements misstatements of the City of Belpre'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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-COB-001 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of Council and Mayor
City of Belpre

Compliance and Other Matters

As part of reasonably assuring whether the City of Belpre's financial statements are free of material misstatements, 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2010-COB-002 through 2010-COB-004.

We also noted certain matters not requiring inclusion in this report that we reported to the City of Belpre's management in a separate letter dated June 24, 2011.

The City of Belpre's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Belpre's responses and, accordingly, we express no opinion on them.

We intend this report is solely for the information and use of the management and City Council of the City of Belpre and others within the City of Belpre. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the typed name of the firm.

Julian & Grube, Inc.
June 24, 2011

**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2010-COB-001

Significant Deficiency - Financial Statement Reporting

Sound financial reporting is the responsibility of the City Council and City Auditor. It is essential that strong internal controls are in place and properly working efficiently and effectively.

The City had a prior period adjustment related to accumulated depreciation and net assets at December 31, 2009. A description of the adjustments is as follows:

2009

Accumulated depreciation: Adjustments were necessary to properly state the ending December 31, 2009 accumulated depreciation amounts. A decrease of \$117,805 to the governmental activities, buildings and improvements. A decrease of \$44,090 to the governmental activities, machinery and equipment. A decrease of \$74,649 to the governmental activities, vehicles. A decrease of \$539,518 to the governmental activities, streets. A decrease of \$7,136 to the governmental activities, street signals, signs and lights. A decrease of \$14,535 to the business-type activities, water fund, machinery and equipment. A decrease of \$1,613 to the business-type activities, water fund, vehicles. A decrease of \$93,811 to the business-type activities, water fund, infrastructure. A decrease of \$57,933 to the business-type activities, sewer fund, machinery and equipment. A decrease of \$5,685 to the business-type activities, sewer fund, vehicles. A decrease of \$105,754 to the business-type activities, sewer fund, infrastructure.

The audited financial statements and the City’s records reflect these adjustments.

The presentation of materially correct financial statements and the related note disclosures are the responsibility of management.

We recommend that the City implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financials and footnotes.

Client Response: The prior period adjustment occurred due to a clerical error in the fixed asset report supplied by the City Auditor for the GAAP conversion. In order to eliminate these clerical errors, we will initiate a system by which items submitted for the GAAP conversion will be reviewed by another employee for accuracy prior to submission.

Finding Number	2010-COB-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceed appropriations due to the City not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the City’s appropriations, the City is not adequately monitoring it appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which could result in negative fund balances.

**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2010-COB-002 - (Continued)

We recommend that the City comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to year end. In addition, the City should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: The City Auditor is attempting to monitor the budget more closely.

Finding Number	2010-COB-003
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The City had expenditures exceeding appropriations in the following funds at December 31, 2010.

December 31, 2010

<u>Fund/Department</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General/Fire	\$ 170,601	\$ 165,880	\$ 4,721
General/Health	39,214	38,305	909
General/Street	69,520	65,254	4,266
General/Treasurers Dept.	4,883	4,765	118
General/General Government	246,207	169,311	76,896
Street/Transportation	421,680	395,710	25,970
Sewer/Debt Service	498,321	467,662	30,659

Disclosure is presented at the department level rather than at the object level within the fund due to the impracticality of determining these values.

With expenditures exceeding appropriations, the City is expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the City comply with Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the year.

Client Response: The City Auditor is attempting to monitor the budget more closely.

**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2010-COB-004

Ohio Revised Code Sections 5705.41(D) requires that no orders or contracts involving the expenditure of money are made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract 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 encumbrances.

For the year ended December 31, 2010, 29% of the City's expenditures had an invoice dated prior to the certificate date of the Fiscal Officer, thus causing those expenditures not to be certified in a timely manner.

Without timely certification, the City may expend more funds than available in the treasury, or in the process of collection, or than funds appropriated. It may also result in unnecessary expenditures.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. Additionally, the City should consider using "Then and Now" certificates where applicable.

Client Response: The City will attempt to monitor use of purchase orders more closely and will consider using "Then and Now" certificates.

**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	<u>Material Weakness</u> - Receipts and expenditures were not always posted accurately to the City's accounting system.	Yes	N/A
2009-002	<u>Material Weakness/Noncompliance Citation</u> - Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 state in part that money may be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority.	Yes	N/A
2009-003	<u>Significant Deficiency</u> - There were several errors from untimely deposits and mispostings reflecting an inaccurate ending balance per the reconciliation.	Yes	N/A
2009-004	<u>Significant Deficiency</u> - Internal controls over the collection of pool receipts were inadequate.	Yes	N/A

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Dave Yost • Auditor of State

CITY OF BELPRE

WASHINGTON 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
SEPTEMBER 6, 2011**