



Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

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LOGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bellefontaine, Logan County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and the Street Department funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2.J, during 2011 the City of Bellefontaine adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Also, as described in Note 16, various fund balances were reclassified.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Dave Yost
Auditor of State

July 16, 2012

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

This discussion and analysis of the City of Bellefontaine's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$62.5 million (net assets). Of this amount, \$7.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$481,859.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$6.1 million, a decrease of \$549,483, or 8 percent in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1.9 million, or 27 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of Bellefontaine as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

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

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

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City's governmental activities are accounted for in 37 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Capital Improvement, Reconstruction Improvement, and Street Department Fund, which are considered to be the City's major governmental funds. Data from the other 33 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Notes to the basic financial statements

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

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2011 compared to 2010.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 8,915,306	\$ 8,494,627	\$ 9,223,681	\$ 6,366,265	\$ 18,138,987	\$ 14,860,892
Capital assets	24,407,937	24,184,942	32,330,961	35,165,567	56,738,898	59,350,509
Total Assets	<u>33,323,243</u>	<u>32,679,569</u>	<u>41,554,642</u>	<u>41,531,832</u>	<u>74,877,885</u>	<u>74,211,401</u>
Current liabilities	1,275,292	1,408,441	716,699	722,353	1,991,991	2,130,794
Long-term liabilities	2,409,601	2,255,601	8,483,444	7,350,298	10,893,045	9,605,899
Total Liabilities	<u>3,684,893</u>	<u>3,664,042</u>	<u>9,200,143</u>	<u>8,072,651</u>	<u>12,885,036</u>	<u>11,736,693</u>
Net Assets:						
Invested in capital assets, net of related debt	23,782,937	23,507,320	28,693,607	30,132,121	52,476,544	53,639,441
Restricted	4,413,547	1,446,615	464,358	-	4,877,905	1,446,615
Unrestricted	1,441,866	4,061,592	3,196,534	3,327,060	4,638,400	7,388,652
Total Net Assets	<u>\$ 29,638,350</u>	<u>\$ 29,015,527</u>	<u>\$ 32,354,499</u>	<u>\$ 33,459,181</u>	<u>\$ 61,992,849</u>	<u>\$ 62,474,708</u>

By far the largest portion of the City's net assets (86 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive net asset balances in each of its governmental and business-type activities net asset classifications. Unrestricted net assets of approximately \$4.1 million and \$3.3 million in the governmental and business-type activities, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The Business-type current asset decreased by \$2.9 million due to the City's increased spending involving ongoing projects such as Energy Projects and the Wastewater Treatment Plant.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2011 and 2010.

**TABLE 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Program revenues:						
Charges for services	\$ 799,956	\$ 846,238	\$ 5,880,114	\$ 6,019,901	\$ 6,680,070	\$ 6,866,139
Grants and contributions	2,650,851	1,463,557	146,668	44,450	2,797,519	1,508,007
General revenues:						
Property taxes	578,192	585,841	-	-	578,192	585,841
Income taxes	4,888,913	4,903,345	-	-	4,888,913	4,903,345
Other local taxes	43,905	49,235	-	-	43,905	49,235
Unrestricted grants	685,791	986,991	-	-	685,791	986,991
Investment earnings	70,684	44,483	816	5,773	71,500	50,256
Other	260,250	254,052	68,674	86,510	328,924	340,562
Total revenues	9,978,542	9,133,742	6,096,272	6,156,634	16,074,814	15,290,376
Expenses:						
General government	2,471,502	2,168,778	-	-	2,471,502	2,168,778
Public safety	4,177,710	4,105,679	-	-	4,177,710	4,105,679
Public works	364,688	381,769	-	-	364,688	381,769
Health	230,317	214,457	-	-	230,317	214,457
Conservation and recreation	597,537	581,884	-	-	597,537	581,884
Economic development	1,544,728	719,075	-	-	1,544,728	719,075
Transportation	1,298,068	1,314,789	-	-	1,298,068	1,314,789
Interest on long-term debt	30,576	39,134	-	-	30,576	39,134
Water	-	-	1,628,720	1,639,512	1,628,720	1,639,512
Sewer	-	-	1,935,512	1,938,822	1,935,512	1,938,822
Airport	-	-	331,140	329,593	331,140	329,593
Garbage	-	-	797,656	749,517	797,656	749,517
Parking Meter	-	-	13,361	13,648	13,361	13,648
Ambulance	-	-	592,208	610,304	592,208	610,304
Other	-	-	1,257	1,556	1,257	1,556
Total expenses	10,715,126	9,525,565	5,299,854	5,282,952	16,014,980	14,808,517
Increase in net assets before transfers	(736,584)	(391,823)	796,418	873,682	59,834	481,859
Transfers	(306,000)	(231,000)	306,000	231,000	-	-
Change in net assets	\$ (1,042,584)	\$ (622,823)	\$ 1,102,418	\$ 1,104,682	\$ 59,834	\$ 481,859
Net assets, beginning	30,680,934	29,638,350	31,252,081	32,354,499	61,933,015	61,992,849
Net assets, ending	\$ 29,638,350	\$ 29,015,527	\$ 32,354,499	\$ 33,459,181	\$ 61,992,849	\$ 62,474,708

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Governmental Activities

Property and income taxes and grants are the biggest contributors of revenue for the City's governmental activities, representing 87 percent of total governmental revenues. The City's income tax revenues constitute 54 percent of total governmental revenues. Public safety is the most significant expense of the City, accounting for 43 percent of total governmental expenses. The City's general government, economic development and transportation activities are also significant, constituting 23 percent, 8 percent and 14 percent of total governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities decreased by \$622,823, or 2 percent, in comparison with the previous year.

The significant decrease in operating grants and contributions is the result of decrease economic development funding for the Neighborhood Stabilization Program. The significant increase in unrestricted grants is the result of the City receiving more estate tax during the year.

Expenses decreased \$1.2 million, or 11 percent primarily a result of the city's decrease in economic development expenses for the neighborhood stabilization grant.

Business-type Activities

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

During the fiscal year, net assets of the City's business-type activities increased by approximately \$1.1 million. This increase is primarily the result of the \$845,694 increase in net assets in the sewer fund. The net assets increase in the sewer fund was consistent with the prior year and represents the amount by which customer charges exceed the cost of sewage collection and treatment operations.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Total versus Net Cost of Services

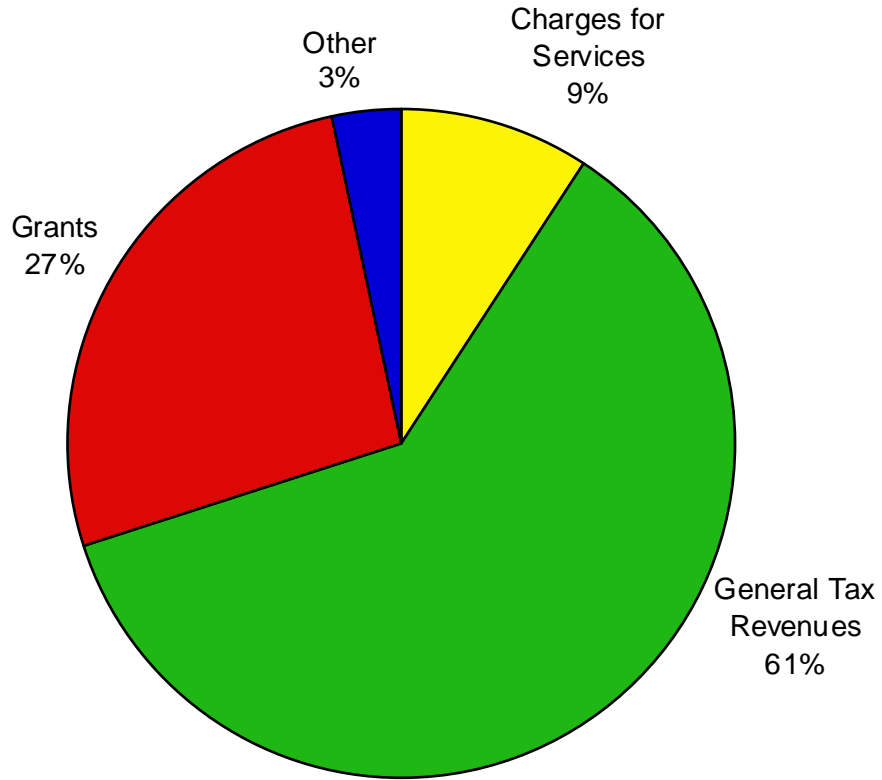
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
Governmental Activities:				
General government	\$ (2,471,502)	\$ (2,168,778)	\$ (2,345,158)	\$ (1,511,747)
Public safety	(4,177,710)	(4,105,679)	(3,525,182)	(3,978,026)
Public works	(364,688)	(381,769)	(364,688)	(381,769)
Health	(230,317)	(214,457)	(203,736)	(155,977)
Conservation and recreation	(597,537)	(581,884)	(465,282)	(439,843)
Economic development	(1,544,728)	(719,075)	28,517	(99,094)
Transportation	(1,298,068)	(1,314,789)	(358,214)	(610,180)
Interest on long-term debt	(30,576)	(39,134)	(30,576)	(39,134)
Total Governmental Activities	(10,715,126)	(9,525,565)	(7,264,319)	(7,215,770)
Business-Type Activities:				
Water	(1,628,720)	(1,639,512)	115,149	167,287
Sewer	(1,935,512)	(1,938,822)	935,987	805,553
Airport	(331,140)	(329,593)	(213,725)	(247,864)
Garbage	(797,656)	(749,517)	(50,150)	123,586
Parking Meter	(13,361)	(13,648)	(4,892)	(5,429)
Ambulance	(592,208)	(610,304)	(59,684)	(64,628)
Other	(1,257)	(1,556)	4,243	2,894
Total Business-Type Activities	(5,299,854)	(5,282,952)	726,928	781,399
Grand Total	<u>\$(16,014,980)</u>	<u>\$(14,808,517)</u>	<u>\$ (6,537,391)</u>	<u>\$ (6,434,371)</u>

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 61 percent of total revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for approximately \$7.2 million of support.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.1 million, a \$549,483 decrease from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010.

	(Restated) Fund Balance 12/31/2010	Fund Balance 12/31/2011	Increase (Decrease)
General	\$ 2,504,751	\$ 2,493,775	\$ (10,976)
Capital improvements	2,615,830	2,531,958	(83,872)
Reconstruction Improvement	(561,994)	(466,161)	95,833
Street Department	318,110	155,845	(162,265)
Other Governmental	1,802,932	1,414,729	(388,203)
Total	\$ 6,679,629	\$ 6,130,146	\$ (549,483)

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$1.9 million, or 27 percent of total general fund expenditures. The fund balance of the City's general fund decreased \$10,976, or less than 1 percent, during the current fiscal year. This decrease is primarily the result of cash transfers to other funds, which totaled \$381,500 during the fiscal year.

Capital Improvements Fund

The Capital Improvements Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement funds' fund balance decreased \$83,872 during the fiscal year. This decrease represents the amount in which debt principal payments and capital outlay exceeded interest earnings during the fiscal year.

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement funds' fund balance increased \$95,833 million during the fiscal year. The increase is a result of grant revenues exceeding capital outlay expenditures in the fund.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Street Department Fund

The Street Department Fund accounts for the accumulation of financial resources to be used for the construction and maintenance of city streets. The street department funds' fund balance decreased \$162,265 during the fiscal year. The increase is a result of transportation and capital outlay expenditures exceeding intergovernmental revenues and transfers in the fund.

Other Governmental Funds

The fund balance of the City's Other Governmental Funds decreased only \$388,203, or 22% in comparison with the prior year. The decrease is primarily the result of monies spent on the energy conservation project received during the year.

Proprietary Funds

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

Unrestricted net assets in the Water Fund at the end of the year amounted to \$216,478. Total net assets increased \$212,661 during the fiscal year. This increase primarily consists of operating income of \$180,679 offset by interest income and debt interest and fiscal charges of \$10,433.

Unrestricted net assets in the Sewer fund at the end of the year amounted to approximately \$1.9 million. Total net assets increased \$845,694, or 7 percent, from the previous year. This increase primarily consists of operating income of \$864,166 and non operating net expenses of \$18,472.

Unrestricted net assets in the Airport Fund at the end of the year amounted to \$26,893. Total net assets decreased \$47,726 during the fiscal year. For the most part, this decrease represents the amount in which transfers in from the general fund, totaling \$200,000, were exceeded by the funds' operating loss of \$178,948 and interest expenses totaling \$68,916.

Unrestricted net assets in the Garbage Fund at the end of the year amounted to \$455,196. Total net assets increased \$154,454, or 40 percent, during the current fiscal year. This increase represents the operating income for the fiscal year.

Unrestricted net assets in the Nonmajor Enterprise Funds at the end of the year amounted to \$703,594. Total net assets decreased \$60,401, or 5 percent, during the fiscal year. By far, the most significant nonmajor enterprise fund is the ambulance fund. Total net assets of the ambulance fund decreased \$59,896, or 6 percent, during the fiscal year as a result of operations.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

General Fund Budgetary Information

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

The final amended revenue estimate was \$30,161 more than the original estimate. The final appropriations exceeded the original appropriation resolution by \$73,761, or 1 percent.

The City's final amended revenue estimate exceeded the actual revenues by \$57,278. The final amended appropriations exceeded actual expenditures and other financing uses by \$719,725, or 9%. This is primarily the result of expenditure reimbursements received from the police and fire levy fund for police and fire pensions (\$250,000) and from the water and sewer funds for engineering salaries (\$250,000).

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2011 totals \$24.2 million (net of accumulated depreciation), a decrease of \$222,995 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. This decrease primarily consists of current year depreciation of \$.8 million offset by current year acquisitions of \$630,379.

The City's investment in capital assets for business-type activities as of December 31, 2011 totals \$35.2 million (net of accumulated depreciation), an increase of \$2.9 million in comparison with the prior year. This increase primarily consists of current year acquisitions of \$3.6 million offset by current year depreciation and deletions of \$.7 million.

Detailed information regarding capital asset activity is included in the Note 6 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total debt outstanding of \$8.2 million. Of this amount, \$7.5 million represents bonds backed by the full faith and credit of the City, \$20,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, and the remaining \$693,613 represents interest free loans.

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

Contacting the City Auditor's Department

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 5,980,834	\$ 3,864,720	\$ 9,845,554
Investments	1,085,900	-	1,085,900
Receivables:			
Taxes	1,634,264	-	1,634,264
Accounts	31,331	1,424,023	1,455,354
Intergovernmental	477,978	-	477,978
Internal Balances	(887,313)	887,313	-
Materials and supplies inventory	102,795	76,814	179,609
Prepaid items	17,028	14,081	31,109
Notes receivable	9,950	-	9,950
Special assessments receivable	20,000	-	20,000
Deferred bond costs	21,860	99,314	121,174
Nondepreciable Capital Assets	10,964,390	5,054,205	16,018,595
Depreciable Capital assets, net	13,220,552	30,111,362	43,331,914
Total Assets	<u>32,679,569</u>	<u>41,531,832</u>	<u>74,211,401</u>
Liabilities			
Accounts payable	286,393	234,195	520,588
Accrued wages and benefits	159,668	56,756	216,424
Intergovernmental payable	275,684	68,559	344,243
Unearned Revenue	662,165	-	662,165
Interest payable	2,886	16,768	19,654
Retainage payable	21,645	184,329	205,974
Refundable deposits	-	161,746	161,746
Long-term liabilities			
Due within one year	613,541	896,272	1,509,813
Due in more than one year	1,642,060	6,454,026	8,096,086
Total Liabilities	<u>3,664,042</u>	<u>8,072,651</u>	<u>11,736,693</u>
Net Assets			
Invested in capital assets, net of related debt	23,507,320	30,132,121	53,639,441
Restricted for:			
Capital projects	40,597	-	40,597
Debt service	187,258	-	187,258
Street maintenance and repair	341,533	-	341,533
Public safety	327,279	-	327,279
Economic Development	51,381	-	51,381
Health	389,182	-	389,182
Judicial	109,385	-	109,385
Unrestricted	4,061,592	3,327,060	7,388,652
Total Net Assets	<u>\$ 29,015,527</u>	<u>\$ 33,459,181</u>	<u>\$ 62,474,708</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 2,168,778	\$ 587,138	\$ 69,893	\$ -
Public safety	4,105,679	39,622	88,031	-
Public works	381,769	-	-	-
Health	214,457	58,480	-	-
Conservation and recreation	581,884	142,041	-	-
Economic development	719,075	550	619,431	-
Transportation	1,314,789	18,407	529,631	156,571
Interest on long-term debt	39,134	-	-	-
Total Governmental Activities	9,525,565	846,238	1,306,986	156,571
Business-type Activities:				
Water	1,639,512	1,766,799	-	40,000
Sewer	1,938,822	2,744,375	-	-
Airport	329,593	81,729	-	-
Garbage	749,517	873,103	-	-
Parking Meter	13,648	8,219	-	-
Ambulance	610,304	545,676	-	-
Other	1,556	-	-	4,450
Total Business-type Activities	5,282,952	6,019,901	-	44,450
Total Government	\$ 14,808,517	\$ 6,866,139	\$ 1,306,986	\$ 201,021

General Revenues:

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

Transfers

Total general revenues and transfers

Change in Net Assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,511,747)	\$ -	\$ (1,511,747)
(3,978,026)	-	(3,978,026)
(381,769)	-	(381,769)
(155,977)	-	(155,977)
(439,843)	-	(439,843)
(99,094)	-	(99,094)
(610,180)	-	(610,180)
(39,134)	-	(39,134)
<u>(7,215,770)</u>	<u>-</u>	<u>(7,215,770)</u>
-	167,287	167,287
-	805,553	805,553
-	(247,864)	(247,864)
-	123,586	123,586
-	(5,429)	(5,429)
-	(64,628)	(64,628)
-	2,894	2,894
<u>-</u>	<u>781,399</u>	<u>781,399</u>
\$ (7,215,770)	\$ 781,399	\$ (6,434,371)
585,841	-	585,841
4,903,345	-	4,903,345
49,235	-	49,235
986,991	-	986,991
115,023	-	115,023
44,483	5,773	50,256
139,029	86,510	225,539
(231,000)	231,000	-
<u>6,592,947</u>	<u>323,283</u>	<u>6,916,230</u>
(622,823)	1,104,682	481,859
29,638,350	32,354,499	61,992,849
<u>\$ 29,015,527</u>	<u>\$ 33,459,181</u>	<u>\$ 62,474,708</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2011

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Assets:				
Pooled cash and cash equivalents	\$ 2,352,169	\$ 1,239,271	\$ 433,839	\$ 418,112
Investments	-	1,000,000	-	-
Receivables:				
Taxes	1,388,257	-	-	-
Accounts	15,847	-	-	-
Intergovernmental	201,193	-	-	251,785
Prepaid items	15,236	-	-	1,656
Materials and supplies inventory	-	-	-	102,795
Loan receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Advances to other funds	-	292,687	-	-
Total assets	<u>\$ 3,972,702</u>	<u>\$ 2,531,958</u>	<u>\$ 433,839</u>	<u>\$ 774,348</u>
Liabilities:				
Accounts payable	\$ 43,576	\$ -	\$ -	\$ 153,298
Accrued wages and benefits	144,933	-	-	8,292
Intergovernmental payable	261,202	-	-	9,056
Retainage Payable	-	-	-	-
Compensated Absences Payable	31,429	-	-	-
Deferred revenue	566,427	-	-	167,857
Unearned revenue	431,360	-	-	-
Advances from other funds	-	-	900,000	280,000
Total liabilities	<u>1,478,927</u>	<u>-</u>	<u>900,000</u>	<u>618,503</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	102,795
Prepaid items	15,236	-	-	1,656
Restricted for:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Street maintenance and repair	-	-	-	51,394
Public safety	-	-	-	-
Economic Development	-	-	-	-
Health	-	-	-	-
Judicial	-	-	-	-
Assigned for:				
Future Appropriations	530,603	-	-	-
Encumbrances	50,882	-	-	-
Conservation and recreation	32,447	-	-	-
Capital projects	-	2,531,958	-	-
Unassigned	1,864,607	-	(466,161)	-
Total fund balances	<u>2,493,775</u>	<u>2,531,958</u>	<u>(466,161)</u>	<u>155,845</u>
Total liabilities and fund balances	<u>\$ 3,972,702</u>	<u>\$ 2,531,958</u>	<u>\$ 433,839</u>	<u>\$ 774,348</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,438,624	\$ 5,882,015
85,900	1,085,900
246,007	1,634,264
15,484	31,331
25,000	477,978
136	17,028
-	102,795
9,950	9,950
20,000	20,000
-	292,687
<u>\$ 1,841,101</u>	<u>\$ 9,553,948</u>
\$ 89,519	\$ 286,393
6,443	159,668
5,426	275,684
21,645	21,645
17,537	48,966
54,997	789,281
230,805	662,165
-	1,180,000
<u>426,372</u>	<u>3,423,802</u>
-	102,795
136	17,028
322,926	322,926
179,941	179,941
6,304	57,698
310,234	310,234
51,381	51,381
393,088	393,088
147,416	147,416
-	530,603
-	50,882
4,384	36,831
-	2,531,958
(1,081)	1,397,365
<u>1,414,729</u>	<u>6,130,146</u>
<u>\$ 1,841,101</u>	<u>\$ 9,553,948</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total Governmental Fund Balances	\$ 6,130,146
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,184,942
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes Receivable	52,461
Income Taxes Receivable	381,681
Accounts Receivable	6,425
Intergovernmental Receivable	328,714
Special Assessments	20,000
Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets.	
Unamortized Bond Issuance Costs	21,860
Unamortized Premium on Bonds	(17,150)
Internal service funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	98,819
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,087,665)
General obligation debt	(1,101,820)
Accrued interest payable	(2,886)
Net Assets of Governmental Activities	<u><u>\$ 29,015,527</u></u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Revenues:				
Property taxes	\$ 460,801	\$ -	\$ -	\$ -
Income taxes	4,917,561	-	-	-
Other local taxes	22,613	-	-	-
Charges for services	152,511	-	-	-
Licenses, permits and fees	93,429	-	-	-
Fines and forfeitures	496,529	-	-	-
Intergovernmental	1,015,152	-	156,571	507,021
Special assessments	-	-	-	-
Interest	33,493	6,128	-	-
Donations and contributions	18,064	-	-	-
Refunds and reimbursements	29,009	-	-	-
Other	22,658	-	79	18,407
Total revenues	<u>7,261,820</u>	<u>6,128</u>	<u>156,650</u>	<u>525,428</u>
Expenditures:				
General government:				
Legislative and executive	1,430,350	-	-	-
Judicial	560,906	-	-	-
Public safety	3,637,659	-	-	-
Public works	147,241	-	-	-
Health	106,944	-	-	-
Conservation and recreation	537,176	-	-	-
Economic development	39,114	-	-	-
Transportation	293,305	-	-	617,209
Capital outlay	86,088	60,000	60,817	155,484
Debt service:				
Principal retirement	34,802	30,000	-	-
Interest and fiscal charges	17,711	-	-	-
Total expenditures	<u>6,891,296</u>	<u>90,000</u>	<u>60,817</u>	<u>772,693</u>
Excess (Deficiency) of revenues over (under) expenditures	370,524	(83,872)	95,833	(247,265)
Other financing sources (uses):				
Transfers in	-	-	-	85,000
Transfers out	(381,500)	-	-	-
Total other financing sources (uses)	<u>(381,500)</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Net Change in Fund Balances	(10,976)	(83,872)	95,833	(162,265)
Fund balance at beginning of year, as restated	2,504,751	2,615,830	(561,994)	318,110
Fund balance at end of year	<u>\$ 2,493,775</u>	<u>\$ 2,531,958</u>	<u>\$ (466,161)</u>	<u>\$ 155,845</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 234,561	\$ 695,362
-	4,917,561
26,622	49,235
28,981	181,492
23,193	116,622
94,779	591,308
806,301	2,485,045
11,816	11,816
4,862	44,483
1,910	19,974
-	29,009
4,043	45,187
<u>1,237,068</u>	<u>9,187,094</u>
575	1,430,925
124,493	685,399
351,742	3,989,401
-	147,241
116,268	223,212
-	537,176
679,961	719,075
28,895	939,409
298,396	660,785
69,001	133,803
21,440	39,151
<u>1,690,771</u>	<u>9,505,577</u>
(453,703)	(318,483)
68,103	153,103
<u>(2,603)</u>	<u>(384,103)</u>
<u>65,500</u>	<u>(231,000)</u>
(388,203)	(549,483)
1,802,932	6,679,629
<u>\$ 1,414,729</u>	<u>\$ 6,130,146</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (549,483)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlays	630,379
Depreciation	(839,403)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets.	(13,971)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	5,502
Income Taxes	(14,216)
Charges for Services	4,860
Intergovernmental Revenues	(34,497)
Special Assessments	(15,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	133,803
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of bond issuance costs	(6,068)
Amortization of premium on bonds	5,708
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.	5,731
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated absences	63,455
Accrued interest	377
Change in Net Assets of Governmental Activities	<u>\$ (622,823)</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 498,339	\$ 528,500	\$ 459,204	\$ (69,296)
Income taxes	4,955,000	4,955,000	4,951,622	(3,378)
Other local taxes	25,000	25,000	22,613	(2,387)
Charges for services	32,000	32,000	42,881	10,881
Licenses, permits and fees	33,300	33,300	67,698	34,398
Fines and forfeitures	450,000	450,000	498,109	48,109
Intergovernmental	595,302	595,302	1,029,184	433,882
Interest	50,000	50,000	33,493	(16,507)
Donations and contributions	-	-	1,074	1,074
Refunds and reimbursements	525,000	525,000	29,009	(495,991)
Other	20,550	20,550	22,487	1,937
Total Revenues	<u>7,184,491</u>	<u>7,214,652</u>	<u>7,157,374</u>	<u>(57,278)</u>
Expenditures				
General government:				
Legislative and executive	1,495,032	1,567,833	1,503,429	64,404
Judicial	566,218	566,718	547,706	19,012
Public safety	3,997,440	3,979,790	3,677,087	302,703
Public works	383,746	383,746	133,698	250,048
Health	106,944	106,944	106,944	-
Economic development	39,500	39,500	39,114	386
Transportation	335,432	334,292	301,581	32,711
Capital outlay	15,102	34,352	27,892	6,460
Debt service:				
Principal retirement	28,803	28,803	34,802	(5,999)
Interest and fiscal charges	17,711	17,711	17,711	-
Total Expenditures	<u>6,985,928</u>	<u>7,059,689</u>	<u>6,389,964</u>	<u>669,725</u>
Excess of Revenues Over/ (Under) Expenditures	198,563	154,963	767,410	612,447
Other Financing Sources/(Uses)				
Transfers out	(850,000)	(850,000)	(800,000)	50,000
Total other financing sources/(uses)	<u>(850,000)</u>	<u>(850,000)</u>	<u>(800,000)</u>	<u>50,000</u>
Net change in fund balance	(651,437)	(695,037)	(32,590)	662,447
Fund balances at beginning of year	2,118,198	2,118,198	2,118,198	-
Prior year encumbrances appropriated	124,834	124,834	124,834	-
Fund balances at end of year	<u>\$ 1,591,595</u>	<u>\$ 1,547,995</u>	<u>\$ 2,210,442</u>	<u>\$ 662,447</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 525,000	\$ 525,000	\$ 511,211	\$ (13,789)
Other	5,000	5,000	18,407	13,407
Total Revenues	<u>530,000</u>	<u>530,000</u>	<u>529,618</u>	<u>(382)</u>
Expenditures				
Transportation	759,866	759,866	651,337	108,529
Capital outlay	15,085	295,085	295,085	-
Total Expenditures	<u>774,951</u>	<u>1,054,951</u>	<u>946,422</u>	<u>108,529</u>
Excess of Revenues Over/ (Under) Expenditures	(244,951)	(524,951)	(416,804)	108,147
Other Financing Sources/(Uses)				
Transfers in	85,000	85,000	85,000	-
Advance In	-	280,000	280,000	-
Total other financing sources/(uses)	<u>85,000</u>	<u>365,000</u>	<u>365,000</u>	<u>-</u>
Net change in fund balance	(159,951)	(159,951)	(51,804)	108,147
Fund balances at beginning of year	121,118	121,118	121,118	-
Prior year encumbrances appropriated	51,633	51,633	51,633	-
Fund balances at end of year	<u>\$ 12,800</u>	<u>\$ 12,800</u>	<u>\$ 120,947</u>	<u>\$ 108,147</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current Assets:				
Pooled cash and cash equivalents	\$ 764,927	\$ 1,965,708	\$ 138,552	\$ 421,899
Receivables:				
Accounts	358,164	567,024	-	104,942
Prepaid items	8,341	307	107	-
Materials and supplies inventory	62,874	13,940	-	-
Total Current Assets	<u>1,194,306</u>	<u>2,546,979</u>	<u>138,659</u>	<u>526,841</u>
Noncurrent Assets:				
Advances to other funds	-	900,000	-	-
Deferred bond costs	40,938	56,941	1,435	-
Depreciable Capital Assets, Net	8,209,077	11,823,973	9,704,768	81,331
Nondepreciable Capital Assets	2,381,904	1,661,000	794,681	-
Total Noncurrent Assets	<u>10,631,919</u>	<u>14,441,914</u>	<u>10,500,884</u>	<u>81,331</u>
Total assets	<u>11,826,225</u>	<u>16,988,893</u>	<u>10,639,543</u>	<u>608,172</u>
Liabilities				
Current Liabilities:				
Accounts payable	81,445	70,479	31,333	46,951
Accrued wages and benefits	23,419	14,508	-	3,581
Intergovernmental payable	20,861	14,692	-	3,795
Interest payable	4,515	6,772	5,481	-
Retainage payable	98,959	82,940	2,430	-
Refundable deposits	-	-	-	-
Advances from other funds	-	12,687	-	-
Notes payable	712	32,920	-	-
Bonds payable	275,175	380,653	93,929	-
Compensated absences	49,115	29,479	-	7,193
Total Current Liabilities	<u>554,201</u>	<u>645,130</u>	<u>133,173</u>	<u>61,520</u>
Noncurrent Liabilities:				
Notes payable	8,901	426,080	-	-
Bonds payable	1,813,847	2,637,362	1,387,428	-
Compensated absences	113,367	24,945	-	10,125
Total Noncurrent Liabilities	<u>1,936,115</u>	<u>3,088,387</u>	<u>1,387,428</u>	<u>10,125</u>
Total Liabilities	<u>2,490,316</u>	<u>3,733,517</u>	<u>1,520,601</u>	<u>71,645</u>
Net Assets				
Invested in capital assets, net of related debt	9,119,431	11,330,477	9,092,049	81,331
Unrestricted	216,478	1,924,899	26,893	455,196
Total Net Assets	<u>\$ 9,335,909</u>	<u>\$ 13,255,376</u>	<u>\$ 9,118,942</u>	<u>\$ 536,527</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 573,634	\$ 3,864,720	\$ 98,819
393,893	1,424,023	-
5,326	14,081	-
-	76,814	-
<u>972,853</u>	<u>5,379,638</u>	<u>98,819</u>
-	900,000	-
-	99,314	-
292,213	30,111,362	-
216,620	5,054,205	-
<u>508,833</u>	<u>36,164,881</u>	<u>-</u>
<u>1,481,686</u>	<u>41,544,519</u>	<u>98,819</u>
3,987	234,195	-
15,248	56,756	-
29,211	68,559	-
-	16,768	-
-	184,329	-
161,746	161,746	-
-	12,687	-
-	33,632	-
-	749,757	-
27,096	112,883	-
<u>237,288</u>	<u>1,631,312</u>	<u>-</u>
-	434,981	-
-	5,838,637	-
31,971	180,408	-
<u>31,971</u>	<u>6,454,026</u>	<u>-</u>
<u>269,259</u>	<u>8,085,338</u>	<u>-</u>
508,833	30,132,121	-
703,594	3,327,060	98,819
<u>\$ 1,212,427</u>	<u>\$ 33,459,181</u>	<u>\$ 98,819</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for Services	\$ 1,766,799	\$ 2,744,375	\$ -	\$ 873,103
Rental Income	-	-	81,729	-
Other Operating Revenue	42,959	11,921	-	30,868
Total Operating Revenues	<u>1,809,758</u>	<u>2,756,296</u>	<u>81,729</u>	<u>903,971</u>
Operating Expenses				
Personal Services	801,611	634,564	-	138,325
Contractual Services	185,143	709,032	116,520	580,715
Materials and Supplies	376,836	87,234	4,066	15,188
Depreciation	247,355	310,513	123,104	9,819
Other operating expenses	18,134	150,787	16,987	5,470
Total Operating Expenses	<u>1,629,079</u>	<u>1,892,130</u>	<u>260,677</u>	<u>749,517</u>
Operating income (loss)	<u>180,679</u>	<u>864,166</u>	<u>(178,948)</u>	<u>154,454</u>
Nonoperating Revenues (Expenses)				
Interest income	2,415	3,220	138	-
Grants income	40,000	-	-	-
Interest and fiscal charges	(10,433)	(46,692)	(68,916)	-
Operating Transfers In	-	25,000	200,000	-
Total non-operating revenues (expenses)	<u>31,982</u>	<u>(18,472)</u>	<u>131,222</u>	<u>-</u>
Change in net assets	212,661	845,694	(47,726)	154,454
Net assets at beginning of year	9,123,248	12,409,682	9,166,668	382,073
Net assets at end of year	<u>\$ 9,335,909</u>	<u>\$ 13,255,376</u>	<u>\$ 9,118,942</u>	<u>\$ 536,527</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 553,895	\$ 5,938,172	\$ 852,316
-	81,729	-
762	86,510	-
<u>554,657</u>	<u>6,106,411</u>	<u>852,316</u>
528,589	2,103,089	-
16,830	1,608,240	846,585
26,239	509,563	-
35,426	726,217	-
18,424	209,802	-
<u>625,508</u>	<u>5,156,911</u>	<u>846,585</u>
<u>(70,851)</u>	<u>949,500</u>	<u>5,731</u>
-	5,773	-
4,450	44,450	-
-	(126,041)	-
6,000	231,000	-
<u>10,450</u>	<u>155,182</u>	<u>-</u>
(60,401)	1,104,682	5,731
1,272,828	32,354,499	93,088
<u>\$ 1,212,427</u>	<u>\$ 33,459,181</u>	<u>\$ 98,819</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Business-type Activities - Enterprise Funds

	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,788,090	\$ 2,764,640	\$ 81,729	\$ 865,270
Other operating receipts	42,959	11,921	-	30,868
Cash paid to employees	(803,979)	(634,666)	(92,338)	(137,073)
Cash paid to suppliers	(546,962)	(683,157)	(29,103)	(615,106)
Cash paid for other expenses	(17,587)	(156,456)	(18,817)	(5,754)
Net cash flows from operating activities	<u>462,521</u>	<u>1,302,282</u>	<u>(58,529)</u>	<u>138,205</u>
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	-	152,500	200,000	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>152,500</u>	<u>200,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(1,208,482)	(2,234,835)	(24,507)	(46,597)
Grants	40,000	-	-	-
Payment of debt	(267,307)	(886,081)	(93,742)	-
Payment of interest	(62,174)	(109,185)	(69,126)	-
Proceeds from notes	-	70,371	-	-
Net cash flows from capital and related financing activities	<u>(1,497,963)</u>	<u>(3,159,730)</u>	<u>(187,375)</u>	<u>(46,597)</u>
Cash Flows from Investing Activities				
Cash received from interest	2,415	3,220	138	-
Net cash flows from investing activities	<u>2,415</u>	<u>3,220</u>	<u>138</u>	<u>-</u>
Net change in cash	(1,033,027)	(1,701,728)	(45,766)	91,608
Cash and cash equivalents at beginning of year	1,797,954	3,667,436	184,318	330,291
Cash and cash equivalents at end of year	<u>\$ 764,927</u>	<u>\$ 1,965,708</u>	<u>\$ 138,552</u>	<u>\$ 421,899</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 180,679	\$ 864,166	\$ (178,948)	\$ 154,454
Add depreciation expense	247,355	310,513	123,104	9,819
(Increase)/Decrease in current assets				
Accounts receivable	21,291	21,558	-	(7,833)
Prepaid expenses	1,844	1,718	2	-
Materials and supplies inventory	7,897	(1,878)	-	-
Increase/(Decrease) in current liabilities				
Accounts payable	5,823	106,307	(2,687)	(19,487)
Accrued wages	253	1,269	-	399
Compensated absences	3,953	447	-	1,267
Refundable deposits	-	-	-	-
Intergovernmental Payable	(6,574)	(1,818)	-	(414)
Pension obligations payable	-	-	-	-
Net Cash Flows from Operating Activities	<u>\$ 462,521</u>	<u>\$ 1,302,282</u>	<u>\$ (58,529)</u>	<u>\$ 138,205</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 541,593	\$ 6,041,322	\$ 852,316
762	86,510	-
(515,894)	(2,183,950)	-
(40,368)	(1,914,696)	(846,585)
(33,246)	(231,860)	-
<u>(47,153)</u>	<u>1,797,326</u>	<u>5,731</u>
6,000	358,500	-
<u>6,000</u>	<u>358,500</u>	<u>-</u>
(4,787)	(3,519,208)	-
4,450	44,450	-
-	(1,247,130)	-
-	(240,485)	-
-	70,371	-
<u>(337)</u>	<u>(4,892,002)</u>	<u>-</u>
-	5,773	-
<u>-</u>	<u>5,773</u>	<u>-</u>
(41,490)	(2,730,403)	5,731
615,124	6,595,123	93,088
<u>\$ 573,634</u>	<u>\$ 3,864,720</u>	<u>\$ 98,819</u>
\$ (70,851)	\$ 949,500	\$ 5,731
35,426	726,217	-
(32,597)	2,419	-
(216)	3,348	-
-	6,019	-
2,463	92,419	-
74	1,995	-
12,551	18,218	-
5,927	5,927	-
70	(8,736)	-
-	-	-
<u>\$ (47,153)</u>	<u>\$ 1,797,326</u>	<u>\$ 5,731</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2011

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 17,254	\$ 14,689
Cash in Segregated Account	-	48,281
Investments	60,000	-
Total Assets	77,254	62,970
Liabilities		
Deposits Held and Due to Others	-	14,689
Undistributed Assets	-	48,281
Total Liabilities	-	62,970
Net Assets		
Net Assets Held in Trust	77,254	-

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 1,802
Other Revenue	38
Total Additions	<u>1,840</u>
Deductions	
Endowments	<u>1,680</u>
Total Deductions	<u>1,680</u>
Net Assets at beginning of year	<u>77,094</u>
Net Assets at end of year	<u><u>\$ 77,254</u></u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes and special assessments for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations, and grants and entitlements received before eligibility requirements are met, are recorded as unearned revenue on the both the governmental fund and government-wide financial statements.

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

C. Deposits and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, bonds of the State of Ohio and STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

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

D. Receivables and Payables

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

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The City's net outstanding advance balance between the governmental and proprietary funds at December 31, 2011 was \$887,313.

E. Inventories and Prepaid Items

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Assets

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

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

G. Capital Assets and Depreciation

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

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

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

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

H. Compensated Absences

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Obligations

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

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

J. Fund Balance

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions

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

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

L. Estimates

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

M. Net Assets

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

Net Change in Fund Balances

	General Fund	Street Department Fund
GAAP basis	\$ (10,976)	\$ (162,265)
Parks and Recreation Change	38,282	-
Revenue accruals	37,595	4,190
Expenditure accruals	(3,939)	123,436
Other Financing Sources	-	280,000
Encumbrances	(93,552)	(297,165)
Budget basis	\$ (32,590)	\$ (51,804)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$6,286,390 and the bank balance was \$6,492,584. Of the bank balance, \$2,090,200 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments — Statutes authorize the City of Bellefontaine to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the state treasurer's investment pool. As of December 31, 2011, the City had \$4,785,288 invested in money market.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. The City's money market funds were unrated. The City has no investment policy that addresses credit risk.

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

NOTE 5 - TAXES

Property Taxes

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

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

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

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2011. The assessed valuations of the City for tax year 2010, which were used to collect taxes in calendar year 2011, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$211,482,010	96.6 %
Public Utility	7,161,610	3.3 %
Tangible Property	<u>208,960</u>	<u>0.1 %</u>
Total Assessed Value	<u>\$218,852,580</u>	<u>100.0%</u>

Income Taxes

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2011, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 5,920,387	\$ -	\$ -	\$ 5,920,387
Construction in Progress	4,764,904	279,099	-	5,044,003
Total Non-depreciated assets	<u>10,685,291</u>	<u>279,099</u>	<u>-</u>	<u>10,964,390</u>
Capital assets, being depreciated:				
Land Improvements	3,564,824	47,386	-	3,612,210
Buildings	4,374,127	-	-	4,374,127
Equipment	2,603,201	44,985	(168,783)	2,479,403
Furniture	230,782	-	-	230,782
Vehicles	2,954,753	186,243	(36,801)	3,104,195
Infrastructure	12,571,506	72,666	-	12,644,172
Total depreciated assets	<u>26,299,193</u>	<u>351,280</u>	<u>(205,584)</u>	<u>26,444,889</u>
Total capital assets	<u>36,984,484</u>	<u>630,379</u>	<u>(205,584)</u>	<u>37,409,279</u>
Less accumulated depreciation for:				
Land Improvements	122,539	16,954	-	139,493
Buildings	2,038,510	73,008	-	2,111,518
Equipment	1,727,048	149,460	(156,511)	1,719,997
Furniture	164,199	10,409	-	174,608
Vehicles	1,708,130	132,111	(35,102)	1,805,139
Infrastructure	6,816,121	457,461	-	7,273,582
Total accumulated depreciation	<u>12,576,547</u>	<u>839,403</u>	<u>(191,613)</u>	<u>13,224,337</u>
Total depreciable assets, net	<u>13,722,646</u>	<u>(488,123)</u>	<u>(13,971)</u>	<u>13,220,552</u>
Total capital assets, net	<u>\$ 24,407,937</u>	<u>\$ (209,024)</u>	<u>\$ (13,971)</u>	<u>\$ 24,184,942</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 49,414
Health	5,460
Judicial	13,897
Legislative and Executive	65,807
Public Safety	134,718
Public Works	241,556
Transportation	328,551
Total	<u>\$ 839,403</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2011, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 1,784,949	\$ -	\$ -	\$ 1,784,949
Construction in Progress	548,539	2,720,717	-	3,269,256
Total Non-depreciated assets	<u>2,333,488</u>	<u>2,720,717</u>	<u>-</u>	<u>5,054,205</u>
Capital assets, being depreciated:				
Land Improvements	8,085,809	-	-	8,085,809
Buildings	13,168,111	627,380	-	13,795,491
Equipment	3,578,265	146,984	(12,480)	3,712,769
Furniture	19,505	-	-	19,505
Vehicles	1,069,392	38,597	-	1,107,989
Infrastructure	13,840,140	30,827	-	13,870,967
Total assets being depreciated	<u>39,761,222</u>	<u>843,788</u>	<u>(12,480)</u>	<u>40,592,530</u>
Total capital assets	<u>42,094,710</u>	<u>3,564,505</u>	<u>(12,480)</u>	<u>45,646,735</u>
Less accumulated depreciation for:				
Land Improvements	432,505	32,340	-	464,845
Buildings	2,893,764	188,940	-	3,082,704
Equipment	2,028,776	145,648	(8,798)	2,165,626
Furniture	14,587	1,850	-	16,437
Vehicles	522,707	64,375	-	587,082
Infrastructure	3,871,410	293,064	-	4,164,474
Total accumulated depreciation	<u>9,763,749</u>	<u>726,217</u>	<u>(8,798)</u>	<u>10,481,168</u>
Total depreciable assets, net	<u>29,997,473</u>	<u>117,571</u>	<u>(3,682)</u>	<u>30,111,362</u>
Total capital assets, net	<u>\$ 32,330,961</u>	<u>\$ 2,838,288</u>	<u>\$ (3,682)</u>	<u>\$ 35,165,567</u>

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

Water	\$ 247,355
Sewer	310,513
Airport	123,104
Garbage	9,819
Other Nonmajor	35,426
Total	<u>\$ 726,217</u>

In October 2010, the City issued \$4,240,000 in Series 2010 various purpose bonds for the purpose of providing funds to (i) pay costs of energy projects ongoing in the City.

In accordance with Financial Accounting Standards Board Statement No. 62, from the date the debt was issued, the City capitalizes the net effect of interest expense and related interest revenue on the portion of the debt issued to fund the energy project. Interest capitalized during the fiscal year was \$123,382. Interest costs not capitalized are expensed.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
Special Assessment Bonds:					
Lakewood Drive, 3.60/6.40%, 2012	\$ 35,000	\$ -	\$ (15,000)	\$ 20,000	\$ 20,000
Tax Increment Financing Bond:					
Guntown Road, 4.50/6.00%, 2015	335,000	-	(60,000)	275,000	65,000
2010 Energy Project Bonds	610,623	-	(28,803)	581,820	30,243
Amortization of premium on sale of bonds	22,858	-	(5,708)	17,150	-
OPWC Street Resurfacing	255,000	-	(30,000)	225,000	30,000
Compensated Absences Payable	1,151,120	275,755	(290,244)	1,136,631	468,298
Total Governmental Activities	<u>2,409,601</u>	<u>275,755</u>	<u>(429,755)</u>	<u>2,255,601</u>	<u>613,541</u>
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Sewer System, 3.24/4.35%, 2011	445,000	-	(445,000)	-	-
Airport Improvement, 2.00/4.80%, 2023	1,495,000	-	(90,000)	1,405,000	90,000
O.P.W.C., 0%, 2014	40,000	-	(10,000)	30,000	10,000
O.P.W.C., 0%, 2025	10,325	-	(712)	9,613	712
Storm Water Drainage, 0%, 2028	147,000	-	(8,400)	138,600	8,400
O.P.W.C., 0%, 2031	220,029	70,371	-	290,400	14,520
2010 Refunding Bonds 2-3%, 2028	1,280,000	-	(310,000)	970,000	315,000
2010 New Project Bonds 2-3%, 2015	845,000	-	(160,000)	685,000	165,000
2010 Energy Project Bonds 2-3%, 2027	3,629,377	-	(171,197)	3,458,180	179,757
Unamortized premium on sale of bonds	96,640	-	(26,426)	70,214	-
Compensated Absences Payable	275,073	91,683	(73,465)	293,291	112,883
Total Business-Type Activities	<u>8,483,444</u>	<u>162,054</u>	<u>(1,295,200)</u>	<u>7,350,298</u>	<u>896,272</u>
Total Long-Term Obligations	<u>\$ 10,893,045</u>	<u>\$ 437,809</u>	<u>\$ (1,724,955)</u>	<u>\$ 9,605,899</u>	<u>\$ 1,509,813</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

A summary of the City's future debt service requirements as of December 31, 2011 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2012	\$ 145,243	\$ 34,627
2013	125,963	28,842
2014	130,963	24,323
2015	136,683	19,504
2016	62,403	14,370
2017-2021	250,700	58,904
2022-2026	204,500	30,238
2027-2030	45,365	1,701
	<u>\$ 1,101,820</u>	<u>\$ 212,509</u>

Business-Type Activities:

2012	\$ 783,389	\$ 196,820
2013	807,669	180,204
2014	822,668	162,824
2015	491,949	145,042
2016	326,229	133,472
2017-2021	1,777,461	511,384
2022-2026	1,622,593	200,840
2027-2030	354,835	10,112
	<u>\$ 6,986,793</u>	<u>\$ 1,540,698</u>

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2011 (See Note 10). The compensated absences will be paid from the funds in which the employees' salaries are paid.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2010 member contribution rate for City employees was 10.00% of covered payroll. The 2011 employer contribution rate for the City was 14.00% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$470,531, \$471,685, and \$495,134 respectively. The full amount has been contributed for 2010 and 2009; 89.6 percent has been contributed for 2011 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2011, 2010, and 2009 were \$586,391, \$562,085, and \$545,695, respectively. The full amount has been contributed for 2010 and 2009; 74.8 percent has been contributed for 2011 with the remainder being reported as a fund liability.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2011, 2010, and 2009 were \$134,431, \$171,679, and \$207,280, respectively. The full amount has been contributed for 2010 and 2009. 89.6 percent has been contributed for 2011 with the remainder being reported as a fund liability.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2011, 2010, and 2009 were \$586,391, \$562,085, and \$545,695, respectively, of which \$183,021, \$175,521 and \$170,911, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2010 and 2009. 74.8% has been contributed for police and firefighters for 2011.

NOTE 10 - EMPLOYEE BENEFITS

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

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

At December 31, 2011, the City's liability for accumulated unpaid sick leave was \$632,468. A liability of \$497,329 has been recognized in the governmental activities and \$135,139 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$748,488. A liability of \$590,336 has been recognized in the governmental activities and \$158,152 has been recognized in the business-type activities.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11 – LIABILITY INSURANCE

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

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

NOTE 12 – CONTINGENT LIABILITIES

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

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

NOTE 13 - CONDUIT DEBT OBLIGATIONS

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

The original issuance for the Revenue Bonds in 2006 was \$15,000,000. As of December 31, 2011, the revenue bonds outstanding were \$9,125,000.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14 – INTERFUND TRANSFERS/ADVANCES

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

<u>Transfers In</u>	<u>Transfers Out</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>
Other Governmental Funds	150,500	2,603
Sewer Fund	25,000	-
Airport Fund	200,000	-
Parking Meter Fund	6,000	-
Total Transfers In/Out	<u>\$ 381,500</u>	<u>\$ 2,603</u>

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

Interfund balances at December 31, 2011 consisted of the following:

<u>Fund</u>	<u>Balance</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u>
Capital Improvement	\$ 37,008	\$ 280,000	\$ (24,321)	\$ 292,687
Street Department	-	(280,000)	-	(280,000)
Reconstruction Improvement	(1,000,000)	-	100,000	(900,000)
Sewer Fund	(37,008)	-	24,321	(12,687)
Sewer Fund	1,000,000	-	(100,000)	900,000

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 15 – CONTRACTUAL COMMITMENTS

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

Contractor	Contract Amount	Amount Paid	Amount Remaining
Berquist Consultanting Inc.	\$ 134,000	\$ 26,000	\$ 108,000
Levan's Excavating Inc	365,300	208,455	156,845
Steve Austins Auto Group	24,000	-	24,000
Newell Equipment Inc	159,546	-	159,546
Miami Valley International	149,984	-	149,984
Allied Waste Services	78,000	36,387	41,613
Total	\$ 910,830	\$ 270,842	\$ 639,988

NOTE 16 – FUND BALANCE RECLASSIFICATION

Due to the implementation of GASB 54, the City's Parks and Recreation Fund was reclassified as part of the General Fund. The fund was classified as an Other Governmental Fund in the prior year. Also, the City's Street Department Fund met the minimum criteria for mandatory major fund reporting and needed to be reclassified accordingly. Also, the Neighborhood Stabilization Fund no longer meets the minimum criteria for mandatory major fund reporting and needed to be reclassified accordingly.

The effects of this reclassifications is as follows:

	General Fund	Street Department Fund	Neighborhood Stabilization Fund	Other Governmental Funds
Fund Balance, December 31, 2010	\$ 2,433,644	\$ -	\$ 44,028	\$ 2,148,121
GASB 54 Reclassification: Parks and Recreation Fund	71,107	-	-	(71,107)
Reclassification of Street Department Fund	-	318,110	-	(318,110)
Reclassification of Neighborhood Stabilization Fund	-	-	(44,028)	44,028
Fund Balance, January 1, 2011	\$ 2,504,751	\$ 318,110	\$ -	\$ 1,802,932

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City of Bellefontaine
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2011

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant / State's Program	A-Z-08-2AL-1	14.228	354,448
	A-F-11-2AL-1		10,707
	A-C-09-093-1		41,452
	A-C-11-2AL-1		19,500
Total Community Development Block Grant / State's Program			426,107
Home Investment Partnerships Program	A-C-09-093-2	14.239	243,950
Total Investment Partnerships Program			243,950
Total U.S. Department of Housing and Urban Development			670,057
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Receipt</i>			
Equitable Sharing Program	Direct	16.922	15,000
<i>Passed through Ohio Office of Criminal Justice Services</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-SB-B9-3118	16.804	9,355
<i>Passed through the Ohio Attorney General's Office</i>			
Crime Victim Assistance	2011VAGENE-577	16.575	12,843
Crime Victim Assistance	2012VAGENE-577		3,745
Total Crime Victim Assistance			16,588
Total U.S. Department of Justice			40,943
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through Ohio Office of Homeland Security</i>			
Assistance to Firefighters Grant	EMW-2010-FO-01741	97.044	72,963
Total U.S. Department of Homeland Security			72,963
TOTAL FEDERAL AWARD EXPENDITURES			\$ 783,963

See accompanying notes to the Schedule of Expenditures of Federal Awards .

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB-RECIPIENTS

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

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

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

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

These loans are collateralized by mortgages on the property and equipment. At December 31, 2011, the gross amount of loans outstanding under this program was \$9,950. There was \$6,000 in delinquent amounts due at December 31, 2011.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$ 11,000
Loans made	-
Loan principal repaid	<u>(1,050)</u>
Ending loans receivable balance as of December 31, 2011	\$ 9,950
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$ 11,255
Administrative costs expended during 2011	\$ 504

The table above reports gross loans receivable.

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 16, 2012, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the City reclassified fund balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 16, 2012.

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

Dave Yost
Auditor of State

July 16, 2012



Dave Yost • Auditor of State

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

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

To the Members of Council:

Compliance

We have audited the compliance of the City of Bellefontaine (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Bellefontaine's major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Bellefontaine complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-001.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-001. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Dave Yost
Auditor of State

July 16, 2012

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-001
CFDA Title and Number	CFDA #14.228 – Community Development Block Grants
Federal Award Number / Year	2011
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

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

The Neighborhood Stabilization Grant fund had a balance greater than \$25,000 for 7 consecutive months.

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

OFFICIAL’S RESPONSE:

See Corrective Action Plan, Page 66

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 5705.41(d), properly certifying available funds for expenditure	No	Repeated as management letter comment in current audit due to reduced instances.
2010-002	24 CFR Section 85.21(c) and Section (A)(3)(f) of the Ohio Department of Development	No	Repeated as finding number 2011-001

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	<p>The NSP Project was a unique program where the City of Bellefontaine was responsible for 7 local government entities including itself. This has never occurred before. It is not expected to happen again since the NSP 1 Program has not been refunded and most likely will not. Only 2 of the 7 sub-recipients failed to expend their monies in a timely manner.</p> <p>The City has always spent its grant funds in a timely manner and we don't have to worry about this happening again since the program will not be repeated. The NSP was being implemented as the program rules were being developed by HUD and the ODOD. Implementation rules were changing throughout the grant period. As for fiscal issues: HUD was unbelievably slow in releasing the grant funds to ODOD, which then had to go through their internal process. Delays in receiving grant funds from the time requested exceeded 90 days at times. Then once the City finally received the funds it had to cut checks to the sub-recipients. The City cuts checks every 2 weeks. Then the sub-recipient would have to pay its obligations. This delay was unacceptable to contractors and vendors. Therefore, sub-recipients were asked to anticipate needed cash flow. The City drew down funds based on the anticipated amount towards the end of the active program period instead of waiting for the actual sub-recipient's request for funds. This is where the problem arose. <i>Two sub-recipients did not draw the funds as they anticipated and the grant monies remained in the City's account.</i></p> <p>If this situation of the City being the lead entity of sub-recipients ever would happen again grant funds would only be requested as needed and not anticipated. This, no matter how burdensome it is to project contractors and vendors. No other specific procedures are required to address this fiscal issue.</p> <p>This matter has been discussed with ODOD/OHCP and they are fully aware of the NSP problems. I was informed that they will sign off on this audit with no further action against the City.</p>		Bob Berquist NSP Administrator