

**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2012

LESLIE PITTENGER, CITY AUDITOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Belpre, Washington County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 19, 2013

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**CITY OF BELPRE
WASHINGTON COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

City of Belpre
715 Park Drive
Belpre, Ohio 45714

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belpre, Washington County, Ohio, as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City of Belpre's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Belpre's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Belpre's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belpre, Washington County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2012, the City of Belpre adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Also, the City of Belpre restated the fund balances at the beginning of the year on the statement of revenues, expenditures and changes in fund balance - budget and actual general fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of the City of Belpre's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Belpre's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 24, 2013

CITY OF BELPRE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

The discussion and analysis of the City of Belpre's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

In total, assets decreased \$247,495. Governmental activities decreased \$168,816; the business-type activities experienced a decrease of \$78,679.

In total, liabilities and deferred inflows of resources decreased \$784,711. Total liabilities and deferred inflows of resources of governmental activities decreased \$35,983. Total liabilities of business-type activities decreased \$748,728 from 2011.

In total, net position increased \$537,216. Net position of governmental activities decreased \$132,833, while net position of business-type activities increased \$670,049 from 2011.

Using this Annual Financial Report

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

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

Reporting the City of Belpre as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

CITY OF BELPRE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

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

Governmental Activities - Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our sewer and water activities. Effective April 1, 2011, the City began reporting sanitation services in the General Fund.

Business-Type Activities - Sewer and water services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Sewer and Water Treatment Plants as well as all depreciation associated with the facilities.

Reporting the City of Belpre's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 14. Fund financial statements provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Belpre, our major funds are the General, Sewer, and Water Funds.

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

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

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

CITY OF BELPRE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

The City of Belpre as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011.

(Table 1)
Net Position

	Governmental Activities	Restated Governmental Activities	Business Type Activities	Business Type Activities	Total	Restated Total
	2012	2011	2012	2011	2012	2011
Assets						
Current and Other Assets	\$ 3,194,622	\$ 2,812,201	\$ 1,373,978	\$ 1,227,144	\$ 4,568,600	\$ 4,039,345
Capital Assets, Net	12,397,860	12,949,097	13,381,436	13,606,949	25,779,296	26,556,046
<i>Total Assets</i>	<u>15,592,482</u>	<u>15,761,298</u>	<u>14,755,414</u>	<u>14,834,093</u>	<u>30,347,896</u>	<u>30,595,391</u>
Liabilities						
Current and						
Other Liabilities	169,037	174,949	206,767	265,567	375,804	440,516
Long-term Liabilities:						
Due Within One Year	162,508	127,909	831,942	775,104	994,450	903,013
Due in More						
Than One Year	674,404	732,860	3,488,525	4,235,291	4,162,929	4,968,151
<i>Total Liabilities</i>	<u>1,005,949</u>	<u>1,035,718</u>	<u>4,527,234</u>	<u>5,275,962</u>	<u>5,533,183</u>	<u>6,311,680</u>
Deferred inflows of resources						
Property Taxes Levied for						
The Next Fiscal Year	237,462	243,676	-	-	237,462	243,676
<i>Total Deferred Inflows</i>						
<i>Of Resources</i>	<u>237,462</u>	<u>243,676</u>	<u>-</u>	<u>-</u>	<u>237,462</u>	<u>243,676</u>
<i>Total Liabilities and Deferred</i>						
<i>Inflows of Resources</i>	<u>1,243,411</u>	<u>1,279,394</u>	<u>4,527,234</u>	<u>5,275,962</u>	<u>5,770,645</u>	<u>6,555,356</u>
Net Position						
Invested in Capital Assets,						
Net of Related Debt	11,608,736	12,139,127	9,071,651	8,608,631	20,680,387	20,747,758
Restricted:						
Transportation	-	372,592	-	-	-	372,592
Capital Projects	18,466	18,466	-	-	18,466	18,466
Unclaimed Monies	-	20,469	-	-	-	20,469
Other Purposes	376,746	88,344	-	-	376,746	88,344
Unrestricted	2,345,123	1,842,906	1,156,529	949,500	3,501,652	2,792,406
<i>Total Net Position</i>	<u>\$ 14,349,071</u>	<u>\$ 14,481,904</u>	<u>\$ 10,228,180</u>	<u>\$ 9,558,131</u>	<u>\$ 24,577,251</u>	<u>\$ 24,040,035</u>

Total governmental assets decreased \$168,816. The largest decrease was capital assets. Capital assets decreased \$551,237 as a result of depreciation expense exceeding current year additions.

Total governmental liabilities and deferred inflows of resources decreased \$35,983. Long-term liabilities decreased \$23,857 with a capital lease payment of \$127,417, a reduction of \$492 in the police pension payable, and a decrease in compensated absences of \$2,519.

For business-type activities, total assets decreased \$78,679. While equity in pooled cash and cash equivalents increased \$101,438, accounts receivable increased \$47,555 and capital assets decreased by \$225,513. Total liabilities decreased \$748,728. The most significant decrease was in long-term liabilities, decreasing \$689,928 with a capital lease payment of \$708,654 and other debt payments of \$80,129.

CITY OF BELPRE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Table 2 shows the changes in net position for the year ended December 31, 2012, and comparisons to 2011.

(Table 2)
Changes in Net Position

	Governmental Activities 2012	Business- Type Activities 2012	Total 2012	Governmental Activities 2011	Business- Type Activities 2011	Total 2011
Revenues						
Program Revenues						
Charges for Services	\$ 1,285,546	\$ 2,526,801	\$ 3,812,347	\$ 1,102,440	\$ 2,493,021	\$ 3,595,461
Operating Grants, Contributions and Interest	429,496	-	429,496	644,047	-	644,047
Capital Grants and Contributions	-	-	-	-	-	-
Total Program Revenues	1,715,042	2,526,801	4,241,843	1,746,487	2,493,021	4,239,508
General Revenues						
Property Taxes	285,816	-	285,816	272,647	-	272,647
Income Tax	1,374,112	-	1,374,112	1,256,092	-	1,256,092
Franchise Tax	119,449	-	119,449	122,900	-	122,900
Grants and Entitlements	581,022	-	581,022	221,455	-	221,455
Interest	22,658	-	22,658	23,849	64	23,913
Donations	8,390	-	8,390	8,041	-	8,041
Other	58,840	8,248	67,088	69,728	7,876	77,604
Total General Revenues	2,450,287	8,248	2,458,535	1,974,712	7,940	1,982,652
Total Revenues	4,165,329	2,535,049	6,700,378	3,721,199	2,500,961	6,222,160
Program Expenses						
General Government	581,504	-	581,504	684,354	-	684,354
Security of Persons and Property:						
Police	1,208,638	-	1,208,638	1,085,349	-	1,085,349
Fire	243,331	-	243,331	244,149	-	244,149
Public Health Services	695,750	-	695,750	483,728	-	483,728
Transportation	1,148,914	-	1,148,914	1,355,137	-	1,355,137
Leisure Time Activities:						
Senior Center	144,988	-	144,988	63,866	-	63,866
Parks	132,575	-	132,575	130,299	-	130,299
Pool	108,106	-	108,106	102,922	-	102,922
Community Environment	-	-	-	249,937	-	249,937
Interest and Fiscal Charges	34,356	-	34,356	37,626	-	37,626
Sanitation	-	-	-	-	193,738	193,738
Sewer	-	1,210,964	1,210,964	-	1,204,031	1,204,031
Water	-	654,036	654,036	-	711,589	711,589
Total Program Expenses	4,298,162	1,865,000	6,163,162	4,437,367	2,109,358	6,546,725
Increase (Deficiency) Before Transfers	(132,833)	670,049	537,216	(716,168)	391,603	(324,565)
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	(132,833)	670,049	537,216	(716,168)	391,603	(324,565)
Net Position Beginning of Year	14,481,904	9,558,131	24,040,035	15,198,072	9,166,528	24,364,600
Net Position End of Year	\$ 14,349,071	\$ 10,228,180	\$ 24,577,251	\$ 14,481,904	\$ 9,558,131	\$ 24,040,035

CITY OF BELPRE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.0 percent. General revenues from grants and entitlements, such as local government funds, are also a large revenue generator. The City monitors both of these revenue sources very closely for fluctuations because the income tax and intergovernmental revenue represent 47 percent of all revenues in the governmental activities.

Income tax collections experienced an increase of \$118,020. The City began using the Regional Income Tax (RITA) for its income tax collection effective January 1, 2012 (See Note 17.C for detail).

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

Security of persons and property is a major activity of the City, generating 33.78% of the governmental expenses. During 2012, expenses for police and fire operations amounted to \$1,208,638 and \$243,331, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the activities of the police department with grants to enable the police department to widen the scope of its activities. The Belpre Volunteer Firefighters, Inc., an entity separate and distinct from the City, has worked hand in hand with the City to help reduce costs to the taxpayer by providing much of the equipment used by the fire department.

Transportation activities of the City accounted for 26.73% of the governmental expenses. The expenses were related to street maintenance, paving, and patching as well as street lighting.

Business-Type Activities

The City's business-type activities provide water and sewer services. Effective April 1, 2011, the City began reporting the revenues and expenses associated with sanitation services in the General Fund. The City, itself, does not provide trash pickup, but contracts this service from an outside vendor. The City provides the billing service for trash pickup on the existing utility bills and receives a commission from the vendor for providing this service for them. In July 2010, contracts were signed, commercial billing was audited, and correct rates were put into place. During 2012, program expenses for all water and sewer operations were exceeded by revenues by \$661,801.

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

CITY OF BELPRE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,185,031 and expenditures of \$3,900,242. Both revenues and expenditures increased \$613,310 and \$316,889, respectively, from 2011 levels.

The fund balance of the General Fund increased \$505,113. Revenues increased \$757,103 from 2011 levels mainly due to an increase in intergovernmental revenues of 364,476 especially in estate tax revenues. Expenditures increased \$553,749 from 2011 levels mainly in public health and welfare expenditures, which increased \$214,390 and capital outlay expenditures, which increased \$158,589.

During 2012, the Sewer Fund had operating revenues of \$1,532,060 (\$1,471,585 in 2011) and operating expenses of \$1,064,201 (\$1,087,373 in 2011). The Water Fund had operating revenues of \$1,002,989 (\$909,348 in 2011) and operating expenses of \$558,057 (\$604,511 in 2011).

General Fund Budgeting Highlights

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

During the course of 2012, the City's Estimated Revenues increased \$10,000. Appropriations were increased \$77,360. Recommendations for any budget changes come from the City Auditor to the Finance Committee of Council for review before going to Council for Ordinance enactment on the change. The allocation of appropriations among objects, except personal services, within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

The City's ending unencumbered cash balance in the General Fund was \$1,449,131, \$1,026,210 above the final budgeted amount. The City received \$821,664 more in revenues than anticipated partly explained by an increase in estate taxes. The City also cut actual expenditures by \$177,965, reducing amounts in nearly all appropriated programs, especially general government and capital outlay.

CITY OF BELPRE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED

Capital Assets and Debt Administration

(Table 3)
Capital Assets at December 31, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,725,175	\$ 2,736,418	\$ 242,194	\$ 250,754	\$ 2,967,369	\$ 2,987,172
Construction in Progress	-	-	-	-	-	-
Buildings and Improvements	2,732,717	2,650,426	485,695	508,229	3,218,412	3,158,655
Machinery and Equipment	313,117	287,501	266,199	266,053	579,316	553,554
Vehicles	555,930	451,435	34,137	33,307	590,067	484,742
Infrastructure:						
City Streets	5,841,931	6,561,848	-	-	5,841,931	6,561,848
Street Signals	228,990	261,469	-	-	228,990	261,469
Sewer System	-	-	6,358,273	6,484,140	6,358,273	6,484,140
Water System	-	-	5,994,938	6,064,466	5,994,938	6,064,466
Totals	\$ 12,397,860	\$ 12,949,097	\$ 13,381,436	\$ 13,606,949	\$ 25,779,296	\$ 26,556,046

The assets of the City are reported at historical cost, net of depreciation. The City's major outlays included improvements of \$117,085 for the senior center, \$23,350 for the parks and \$207,238 in vehicles for police and fire. For additional information on capital assets, see Note 9 to the basic financial statements.

(Table 4)
Outstanding Debt at December 31, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Issue II Water Well Loan	\$ -	\$ -	\$ 42,024	\$ 46,003	\$ 42,024	\$ 46,003
Ambulance Promissory Note	106,571	-	-	-	106,571	-
Water Tank Loan	-	-	256,085	308,675	256,085	308,675
Water Lines Loan	-	-	86,571	-	86,571	-
Issue II Sewer Treatment Plant Loan	-	-	128,960	138,841	128,960	138,841
Capital Leases	682,553	809,970	3,796,145	4,504,799	4,478,698	5,314,769
Police Pension Liability	18,749	19,241	-	-	18,749	19,241
Totals	\$ 807,873	\$ 829,211	\$ 4,309,785	\$ 4,998,318	\$ 5,117,658	\$ 5,827,529

The City had no bond issues outstanding but had a pension liability, various loans payable, and a capital lease payable at December 31, 2012, totaling \$5,117,658, of which \$994,450 is due within one year. The City has two Ohio Public Works Issue II loans outstanding, one for a water well replacement and one for sewer treatment plant improvements. The City also has two long-term loans outstanding for a water tank and water line as well as a promissory note for an ambulance.

For additional information on debt, see Note 11 to the basic financial statements.

CITY OF BELPRE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 UNAUDITED

Current Financial Related Activities

In the fall of 2011 Marietta Memorial Health System broke ground on a medical facility in the Farson Street area. They opened the first facility in 2012 and broke ground on another building which will include an emergency room in 2013. This new facility has brought new jobs, increasing the tax base for the City and traffic for current and new businesses. The Farson Street roadway will be widened in 2013 to relieve the increased amount of car traffic. The City is committed to improving the safety of our City by beginning the task of replacing fire hydrants that have been in place for over 50 years. Four hydrants are scheduled for replacement each year beginning in 2011, with additional replacements to follow each year until we are completely upgraded. The City has experienced the benefits of the energy savings project that was implemented in 2006 by maintaining level energy costs for street lighting over the last year.

Contacting the City Auditor's Department

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

CITY OF BELPRE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,006,765	\$ 1,061,804	\$ 3,068,569
Cash and cash equivalents in segregated accounts.	6,627	-	6,627
Investments.	-	50,000	50,000
Receivables:			
Income taxes.	508,382	-	508,382
Property taxes	243,435	-	243,435
Accounts.	121,536	245,979	367,515
Intergovernmental	267,497	-	267,497
Accrued interest	189	54	243
Materials and supplies inventory.	17,354	3,406	20,760
Prepayments	22,837	12,735	35,572
Capital assets:			
Non-depreciable capital assets, net.	2,725,175	242,194	2,967,369
Depreciable capital assets, net.	9,672,685	13,139,242	22,811,927
Total capital assets, net.	<u>12,397,860</u>	<u>13,381,436</u>	<u>25,779,296</u>
Total assets	<u>15,592,482</u>	<u>14,755,414</u>	<u>30,347,896</u>
Liabilities:			
Accounts payable.	48,894	24,603	73,497
Contracts payable.	19,667	-	19,667
Accrued wages and benefits payable	30,169	11,771	41,940
Intergovernmental payable	42,236	12,811	55,047
Accrued interest payable	101	2,483	2,584
Vacation benefits payable.	27,970	25,247	53,217
Customer deposits payable	-	129,852	129,852
Long-term liabilities:			
Due within one year	162,508	831,942	994,450
Due in more than one year.	674,404	3,488,525	4,162,929
Total liabilities	<u>1,005,949</u>	<u>4,527,234</u>	<u>5,533,183</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	237,462	-	237,462
Total deferred inflows of resources	<u>237,462</u>	<u>-</u>	<u>237,462</u>
Total liabilities and deferred inflows of resources.	<u>1,243,411</u>	<u>4,527,234</u>	<u>5,770,645</u>
Net position:			
Net investment in capital assets.	11,608,736	9,071,651	20,680,387
Restricted for:			
Capital projects	18,466	-	18,466
Transportation projects	307,890	-	307,890
Unclaimed monies	21,084	-	21,084
Other purposes.	47,772	-	47,772
Unrestricted.	2,345,123	1,156,529	3,501,652
Total net position	<u>\$ 14,349,071</u>	<u>\$ 10,228,180</u>	<u>\$ 24,577,251</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government.	\$ 581,504	\$ 188,484	\$ -
Security of persons and property			
Police.	1,208,638	102,248	-
Fire	243,331	104,245	-
Public health and welfare	695,750	819,515	-
Transportation.	1,148,914	-	425,459
Leisure time activities:			
Senior center	144,988	21,500	-
Parks	132,575	-	4,037
Pool	108,106	49,554	-
Interest and fiscal charges	34,356	-	-
Total governmental activities.	<u>4,298,162</u>	<u>1,285,546</u>	<u>429,496</u>
Business-type activities:			
Sewer.	1,210,964	1,532,013	-
Water.	654,036	994,788	-
Total business-type activities	<u>1,865,000</u>	<u>2,526,801</u>	<u>-</u>
Total primary government	<u>\$ 6,163,162</u>	<u>\$ 3,812,347</u>	<u>\$ 429,496</u>

General revenues:

- Property taxes levied for general purposes . . .
- Income taxes levied for general purposes. . .
- Franchise tax
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Donations
- Miscellaneous
- Total general revenues
- Change in net position
- Net position at beginning of year**
- Net position at end of year.**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (393,020)	\$ -	\$ (393,020)
(1,106,390)	-	(1,106,390)
(139,086)	-	(139,086)
123,765	-	123,765
(723,455)	-	(723,455)
(123,488)	-	(123,488)
(128,538)	-	(128,538)
(58,552)	-	(58,552)
(34,356)	-	(34,356)
(2,583,120)	-	(2,583,120)
-	321,049	321,049
-	340,752	340,752
-	661,801	661,801
(2,583,120)	661,801	(1,921,319)
285,816	-	285,816
1,374,112	-	1,374,112
119,449	-	119,449
581,022	-	581,022
22,658	-	22,658
8,390	-	8,390
58,840	8,248	67,088
2,450,287	8,248	2,458,535
(132,833)	670,049	537,216
14,481,904	9,558,131	24,040,035
<u>\$ 14,349,071</u>	<u>\$ 10,228,180</u>	<u>\$ 24,577,251</u>

CITY OF BELPRE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,738,861	\$ 246,820	\$ 1,985,681
Cash and cash equivalents in segregated accounts.	5,786	841	6,627
Receivables:			
Income taxes.	508,382	-	508,382
Property taxes	243,435	-	243,435
Accounts.	120,376	1,160	121,536
Intergovernmental	107,892	159,605	267,497
Accrued interest	189	-	189
Materials and supplies inventory.	1,722	15,632	17,354
Prepayments	15,032	7,805	22,837
Restricted assets:			
Equity in pooled cash and cash equivalents . . .	21,084	-	21,084
Total assets	<u>\$ 2,762,759</u>	<u>\$ 431,863</u>	<u>\$ 3,194,622</u>
Liabilities:			
Accounts payable.	\$ 35,441	\$ 13,453	\$ 48,894
Contracts payable.	4,667	15,000	19,667
Accrued wages and benefits payable	25,200	4,969	30,169
Intergovernmental payable	36,139	6,097	42,236
Total liabilities	<u>101,447</u>	<u>39,519</u>	<u>140,966</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	237,462	-	237,462
Delinquent property tax revenue not available. . .	5,973	-	5,973
Miscellaneous revenue not available.	810	-	810
Income tax revenue not available	327,823	-	327,823
Other nonexchange transactions.	64,417	103,114	167,531
Total deferred inflows of resources	<u>636,485</u>	<u>103,114</u>	<u>739,599</u>
Total liabilities and deferred inflows of resources .	<u>737,932</u>	<u>142,633</u>	<u>880,565</u>
Fund balances:			
Nonspendable	16,754	23,437	40,191
Restricted.	21,084	263,576	284,660
Committed	-	3,196	3,196
Assigned	604,628	-	604,628
Unassigned (deficit)	1,382,361	(979)	1,381,382
Total fund balances.	<u>2,024,827</u>	<u>289,230</u>	<u>2,314,057</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,762,759</u>	<u>\$ 431,863</u>	<u>\$ 3,194,622</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$ 2,314,057
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,397,860
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 327,823	
Real and other taxes receivable	5,973	
Accounts receivable	810	
Intergovernmental receivable	167,531	
Total	502,137	502,137
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(101)
Vacation is accrued on the statement of net position, whereas in the funds, vacation leave expenditures are reported when taken.		(27,970)
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	29,039	
Police pension liability	18,749	
Capital lease payable	682,553	
Notes payable	106,571	
Total	(836,912)	(836,912)
Net position of governmental activities		\$ 14,349,071

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Income taxes	\$ 1,366,351	\$ -	\$ 1,366,351
Property taxes.	295,639	-	295,639
Charges for services.	1,092,271	49,554	1,141,825
Licenses and permits	232,444	10,835	243,279
Intergovernmental.	591,956	428,023	1,019,979
Investment income.	22,658	2,533	25,191
Contributions and donations.	8,390	4,037	12,427
Other	54,783	25,557	80,340
Total revenues	<u>3,664,492</u>	<u>520,539</u>	<u>4,185,031</u>
Expenditures:			
Current:			
General government	558,490	-	558,490
Security of persons and property:			
Police.	1,135,492	5,561	1,141,053
Fire	200,527	-	200,527
Public health and welfare.	695,542	-	695,542
Transportation	75,096	510,436	585,532
Leisure time activities:			
Senior center	137,902	-	137,902
Parks	-	104,819	104,819
Pool.	-	78,554	78,554
Capital outlay	221,314	-	221,314
Debt service:			
Principal retirement.	142,150	-	142,150
Interest and fiscal charges	34,359	-	34,359
Total expenditures	<u>3,200,872</u>	<u>699,370</u>	<u>3,900,242</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>463,620</u>	<u>(178,831)</u>	<u>284,789</u>
Other financing sources (uses):			
Loan issuance	120,812	-	120,812
Sale of capital assets.	681	334	1,015
Transfers in	-	80,000	80,000
Transfers (out).	(80,000)	-	(80,000)
Total other financing sources (uses)	<u>41,493</u>	<u>80,334</u>	<u>121,827</u>
Net change in fund balances	505,113	(98,497)	406,616
Fund balances at beginning of year	<u>1,519,714</u>	<u>387,727</u>	<u>1,907,441</u>
Fund balances at end of year	<u>\$ 2,024,827</u>	<u>\$ 289,230</u>	<u>\$ 2,314,057</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$	406,616
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 449,540	
Current year depreciation	<u>(966,409)</u>	
Total		(516,869)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(34,368)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	7,761	
Property taxes	(9,823)	
Intergovernmental revenues	(16,031)	
Accounts	<u>(1,609)</u>	
Total		(19,702)
Proceeds of notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(120,812)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		142,150
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		3
Some expenses reported in the statement of activities, such as vacation payable and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>10,149</u>
Change in net position of governmental activities	\$	<u><u>(132,833)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 812,000	\$ 812,000	\$ 965,178	\$ 153,178
Real and other taxes.	295,000	295,000	295,639	639
Charges for services.	855,738	885,738	1,086,826	201,088
Fines and forfeitures	239,200	239,200	233,434	(5,766)
Intergovernmental.	183,818	163,818	602,241	438,423
Investment income.	22,800	22,800	22,844	44
Contributions and donations.	9,000	9,000	8,390	(610)
Other	19,500	19,500	54,168	34,668
Total revenues	<u>2,437,056</u>	<u>2,447,056</u>	<u>3,268,720</u>	<u>821,664</u>
Expenditures:				
Current:				
General government	626,329	643,529	582,368	61,161
Security of persons and property:				
Police	1,157,011	1,164,171	1,130,486	33,685
Fire	214,236	214,236	183,446	30,790
Public health services	726,984	729,984	695,563	34,421
Transportation	70,000	75,000	75,885	(885)
Leisure time activity:				
Senior center	108,750	153,750	134,957	18,793
Debt service:				
Principal retirement.	14,733	14,733	14,733	-
Interest and fiscal charges	2,711	2,711	2,711	-
Total expenditures	<u>2,920,754</u>	<u>2,998,114</u>	<u>2,820,149</u>	<u>177,965</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(483,698)</u>	<u>(551,058)</u>	<u>448,571</u>	<u>999,629</u>
Other financing sources (uses):				
Sale of capital assets.	-	-	681	681
Transfers (out).	(105,900)	(105,900)	(80,000)	25,900
Total other financing sources (uses)	<u>(105,900)</u>	<u>(105,900)</u>	<u>(79,319)</u>	<u>26,581</u>
Net change in fund balances	(589,598)	(656,958)	369,252	1,026,210
Fund balances at beginning of year (restated) . . .	1,068,362	1,068,362	1,068,362	-
Prior year encumbrances appropriated . . .	<u>11,517</u>	<u>11,517</u>	<u>11,517</u>	<u>-</u>
Fund balance at end of year	<u>\$ 490,281</u>	<u>\$ 422,921</u>	<u>\$ 1,449,131</u>	<u>\$ 1,026,210</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 364,858	\$ 174,236	\$ 442,858	\$ 981,952
Accounts	158,726	87,253	-	245,979
Accrued interest	-	54	-	54
Materials and supplies inventory	1,224	2,182	-	3,406
Prepayments	7,768	4,967	-	12,735
Restricted assets:				
Customer deposits - cash	-	79,852	-	79,852
Investments	-	50,000	-	50,000
Total current assets	<u>532,576</u>	<u>398,544</u>	<u>442,858</u>	<u>1,373,978</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	70,215	171,979	-	242,194
Depreciable capital assets, net	6,788,877	6,350,365	-	13,139,242
Total noncurrent assets	<u>6,859,092</u>	<u>6,522,344</u>	<u>-</u>	<u>13,381,436</u>
Total assets	<u>7,391,668</u>	<u>6,920,888</u>	<u>442,858</u>	<u>14,755,414</u>
Liabilities:				
Current liabilities:				
Accounts payable	16,364	8,239	-	24,603
Accrued wages and benefits payable	8,391	3,380	-	11,771
Intergovernmental payable	9,340	3,471	-	12,811
Accrued interest payable	1,290	1,193	-	2,483
Vacation benefits payable	18,250	6,997	-	25,247
Capital lease obligations payable	410,737	327,788	-	738,525
OPWC loans payable	10,080	4,059	-	14,139
Loans payable	-	79,278	-	79,278
Customer deposits payable from restricted assets	-	129,852	-	129,852
Total current liabilities	<u>474,452</u>	<u>564,257</u>	<u>-</u>	<u>1,038,709</u>
Long-term liabilities:				
Compensated absences payable	7,083	3,599	-	10,682
Capital lease obligations payable	1,700,522	1,357,098	-	3,057,620
OPWC loans payable	118,880	37,965	-	156,845
Loans payable	-	263,378	-	263,378
Total long-term liabilities	<u>1,826,485</u>	<u>1,662,040</u>	<u>-</u>	<u>3,488,525</u>
Total liabilities	<u>2,300,937</u>	<u>2,226,297</u>	<u>-</u>	<u>4,527,234</u>
Net position:				
Net investment in capital assets	4,618,873	4,452,778	-	9,071,651
Unrestricted	471,858	241,813	442,858	1,156,529
Total net position	<u>\$ 5,090,731</u>	<u>\$ 4,694,591</u>	<u>\$ 442,858</u>	<u>\$ 10,228,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise	Total
Operating revenues:				
Charges for services	\$ 1,532,013	\$ 994,788	\$ -	\$ 2,526,801
Other operating revenues	47	8,201	-	8,248
Total operating revenues.	<u>1,532,060</u>	<u>1,002,989</u>	<u>-</u>	<u>2,535,049</u>
Operating expenses:				
Personal services	541,867	164,884	-	706,751
Contract services.	226,581	137,390	-	363,971
Materials and supplies.	104,762	73,846	-	178,608
Depreciation.	190,944	157,632	-	348,576
Other	47	24,305	-	24,352
Total operating expenses.	<u>1,064,201</u>	<u>558,057</u>	<u>-</u>	<u>1,622,258</u>
Operating income	<u>467,859</u>	<u>444,932</u>	<u>-</u>	<u>912,791</u>
Nonoperating expenses:				
Interest and fiscal charges	(100,523)	(94,119)	-	(194,642)
Loss on sale of capital assets	(46,240)	(1,860)	-	(48,100)
Total nonoperating expenses.	<u>(146,763)</u>	<u>(95,979)</u>	<u>-</u>	<u>(242,742)</u>
Change in net position	321,096	348,953	-	670,049
Net position at beginning of year	<u>4,769,635</u>	<u>4,345,638</u>	<u>442,858</u>	<u>9,558,131</u>
Net position at end of year	<u>\$ 5,090,731</u>	<u>\$ 4,694,591</u>	<u>\$ 442,858</u>	<u>\$ 10,228,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

Business-type Activities - Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers.	\$ 1,491,879	\$ 989,324	\$ -	\$ 2,481,203
Cash received from other operations.	47	6,229	-	6,276
Cash payments for personal services.	(537,952)	(168,811)	-	(706,763)
Cash payments for contractual services	(227,619)	(137,073)	-	(364,692)
Cash payments for materials and supplies	(102,042)	(74,226)	-	(176,268)
Cash payments for other expenses	(47)	(83,737)	-	(83,784)
Net cash provided by operating activities	<u>624,266</u>	<u>531,706</u>	<u>-</u>	<u>1,155,972</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(64,132)	(107,031)	-	(171,163)
Principal retirement on loans.	(9,881)	(70,248)	-	(80,129)
Principal retirement on capital leases.	(394,124)	(314,530)	-	(708,654)
Interest and fiscal charges	(100,621)	(94,217)	-	(194,838)
Loan proceeds	-	100,250	-	100,250
Net cash used in capital and related financing activities.	<u>(568,758)</u>	<u>(485,776)</u>	<u>-</u>	<u>(1,054,534)</u>
Net increase in cash and cash equivalents	55,508	45,930	-	101,438
Cash and cash equivalents at beginning of year . . .	309,350	208,158	442,858	960,366
Cash and cash equivalents at end of year	<u>\$ 364,858</u>	<u>\$ 254,088</u>	<u>\$ 442,858</u>	<u>\$ 1,061,804</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 467,859	\$ 444,932	\$ -	\$ 912,791
Adjustments:				
Depreciation.	190,944	157,632	-	348,576
Changes in assets and liabilities:				
Decrease (increase) in materials and supplies inventory	462	(602)	-	(140)
(Increase) in accounts receivable.	(40,160)	(7,395)	-	(47,555)
Decrease in prepayments.	1,900	389	-	2,289
Increase (decrease) in accounts payable	(617)	355	-	(262)
Increase in accrued wages and benefits	1,770	1,053	-	2,823
Increase in intergovernmental payable.	52	70	-	122
Increase (decrease) in compensated absences payable .	47	(1,442)	-	(1,395)
Increase (decrease) in vacation benefits payable. . . .	2,009	(3,623)	-	(1,614)
(Decrease) in customer deposits	-	(59,663)	-	(59,663)
Net cash provided by operating activities	<u>\$ 624,266</u>	<u>\$ 531,706</u>	<u>\$ -</u>	<u>\$ 1,155,972</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2012**

	<u>Agency</u>
Assets:	
Cash and cash equivalents in segregated accounts	\$ 3,149
Total assets	<u>\$ 3,149</u>
Liabilities:	
Intergovernmental payable	\$ 3,149
Total liabilities.	<u>\$ 3,149</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Belpre have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

B. Fund Accounting

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

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

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

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

C. Measurement Focus

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

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied (See Note 8). Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow.

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

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

E. Budget Process

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

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

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

F. Cash and Cash Equivalents

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

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

During 2012, investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Following the Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the General Fund and Street and State Highway Special Revenue Funds. Interest revenue credited to the General Fund during 2012 amounted to \$22,658, which includes \$11,792 assigned from other City funds.

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

G. Inventory

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund type.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

I. Restricted Assets

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

J. Capital Assets

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

K. Compensated Absences

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

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance

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

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

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.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor 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 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.

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

N. Net Position

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

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

Contributions of capital in the proprietary fund financial statements can arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. The City did not report any capital contributions during 2012.

Q. Internal Activity

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

R. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

B. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue and capital project funds were considered part of the general fund on a budgetary basis. In accordance with Auditor of State Bulletin 2011-004, the City has restated the beginning unencumbered fund balance of the general fund to report only the legally budgeted general fund in the budgetary statement. The restatement of the general fund's budgetary-basis fund balance at December 31, 2011 is as follows:

Budgetary Basis	<u>General Fund</u>
Balance at December 31, 2011	\$ 1,392,063
Funds budgeted elsewhere	<u>(323,701)</u>
Restated balance at January 1, 2012	<u>\$ 1,068,362</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 369,252
Net adjustment for revenue accruals	145,157
Net adjustment for expenditure accruals	(111,415)
Net adjustment for other financing sources/(uses)	120,812
Net adjustment for fund reclassification	(25,236)
Adjustment for encumbrances	<u>6,543</u>
GAAP basis	<u><u>\$ 505,113</u></u>

Certain funds that are legally budgeted in separate special revenue and capital projects funds are considered part of the general fund on a GAAP basis.

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CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - FUND BALANCES

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

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Materials and supplies inventory	\$ 1,722	\$ 15,632	\$ 17,354
Prepays	<u>15,032</u>	<u>7,805</u>	<u>22,837</u>
Total nonspendable	<u>16,754</u>	<u>23,437</u>	<u>40,191</u>
Restricted:			
Street improvements	-	201,426	201,426
Community development	-	13,956	13,956
Law enforcement	-	7,397	7,397
Pool improvements	-	14,261	14,261
Mayor's Court	-	22,331	22,331
Unclaimed monies	21,084	-	21,084
Issue II improvements	<u>-</u>	<u>4,205</u>	<u>4,205</u>
Total restricted	<u>21,084</u>	<u>263,576</u>	<u>284,660</u>
Committed:			
Swimming pool operations	<u>-</u>	<u>3,196</u>	<u>3,196</u>
Total committed	<u>-</u>	<u>3,196</u>	<u>3,196</u>
Assigned:			
General government	438	-	438
Fire	306	-	306
Police	2,533	-	2,533
Senior center	682	-	682
Subsequent year appropriations	<u>600,669</u>	<u>-</u>	<u>600,669</u>
Total assigned	<u>604,628</u>	<u>-</u>	<u>604,628</u>
Unassigned	<u>1,382,361</u>	<u>(979)</u>	<u>1,381,382</u>
Total fund balances	<u>\$ 2,024,827</u>	<u>\$ 289,230</u>	<u>\$ 2,314,057</u>

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$3,128,345 and the bank balance was \$3,230,003. Of the bank balance, \$509,776 was covered by Federal depository insurance; \$2,720,227 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 - INTERFUND ACTIVITY

Interfund transfers during 2012 consisted of the following:

<u>Transfers to</u>	<u>Transfers from General</u>
Nonmajor Special Revenue Funds:	
Parks and Recreation	\$ 60,000
Swimming Pool	20,000
Total Transfers	<u>\$80,000</u>

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

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

Internal fund balances between governmental funds are eliminated on the government-wide financial statements; therefore no internal balances at December 31, 2012 are reported on the statement of net position. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of municipal income tax, property taxes, interest, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. 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 later payment dates to be established.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RECEIVABLES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Belpre. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2012 was \$3.40 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Real Property	\$ 100,279,130
Public Utility Tangible Property	<u>3,805,360</u>
Total Assessed Value	<u><u>\$ 104,084,490</u></u>

B. Income Taxes

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

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RECEIVABLES - (Continued)

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Estate Tax	\$35,594
Local Government	46,687
Gasoline and Excise Tax	125,083
Motor Vehicle License Tax	30,822
Rollback and Homestead	25,611
Other	3,700
	\$267,497

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Increases	Decreases	Balance 12/31/12
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 2,736,418	\$ -	\$ (11,243)	\$ 2,725,175
Total Capital Assets not being Depreciated	2,736,418	-	(11,243)	2,725,175
Capital Assets being Depreciated:				
Buildings and Improvements	4,300,949	165,054	-	4,466,003
Machinery and Equipment	843,863	67,248	(9,147)	901,964
Vehicles	2,016,651	217,238	(58,286)	2,175,603
City Streets	21,173,996	-	(22,358)	21,151,638
Street Signals	698,289	-	-	698,289
Total Capital Assets being Depreciated	29,033,748	449,540	(89,791)	29,393,497
Less Accumulated Depreciation:				
Buildings and Improvements	(1,650,523)	(82,763)	-	(1,733,286)
Machinery and Equipment	(556,362)	(40,865)	8,380	(588,847)
Vehicles	(1,565,216)	(112,743)	58,286	(1,619,673)
City Streets	(14,612,148)	(697,559)	-	(15,309,707)
Street Signals	(436,820)	(32,479)	-	(469,299)
Total Accumulated Depreciation	(18,821,069)	(966,409)	66,666	(19,720,812)
Total Capital Assets being Depreciated, Net	10,212,679	(516,869)	(23,125)	9,672,685
Governmental Activities Capital Assets, Net	\$12,949,097	\$ (516,869)	\$ (34,368)	\$ 12,397,860

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$22,701
Security of Persons and Property:	
Police	42,412
Fire	80,575
Transportation	756,716
Leisure Time Activities:	
Senior Center	7,086
Parks	27,367
Pool	29,552
	<u> </u>
Total Depreciation Expense	<u><u>\$966,409</u></u>

Certain capital asset balances were reclassified at December 31, 2011 to properly state the balances of buildings and improvements, machinery and equipment, vehicles, and related accumulated depreciation. These reclassifications had no effect on net position at December 31, 2011.

Business-Type Activities:	Restated Balance 12/31/11	Increases	Decreases	Balance 12/31/12
Capital Assets not being Depreciated:				
Land	\$ 250,754	\$ 30	\$ (8,590)	\$ 242,194
Total Capital Assets not being Depreciated	<u>250,754</u>	<u>30</u>	<u>(8,590)</u>	<u>242,194</u>
Capital Assets being Depreciated:				
Buildings and Improvements	757,689	42,114	(38,029)	761,774
Machinery and Equipment	1,201,087	42,971	(3,310)	1,240,748
Vehicles	146,098	-	-	146,098
Infrastructure	16,644,473	86,048	-	16,730,521
Total Capital Assets being Depreciated	<u>18,749,347</u>	<u>171,133</u>	<u>(41,339)</u>	<u>18,879,141</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(260,460)	(15,619)	-	(276,079)
Machinery and Equipment	(935,034)	(41,344)	1,829	(974,549)
Vehicles	(101,791)	(10,170)	-	(111,961)
Infrastructure	(4,095,867)	(281,443)	-	(4,377,310)
Total Accumulated Depreciation	<u>(5,393,152)</u>	<u>(348,576)</u>	<u>1,829</u>	<u>(5,739,899)</u>
Total Capital Assets being Depreciated, Net	<u>13,356,195</u>	<u>(177,443)</u>	<u>(39,510)</u>	<u>13,139,242</u>
Business-Type Activities Capital Assets, Net	<u><u>\$13,606,949</u></u>	<u><u>\$ (177,413)</u></u>	<u><u>\$ (48,100)</u></u>	<u><u>\$ 13,381,436</u></u>

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

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

<u>Business-type activities</u>	
Sewer	\$ 190,944
Water	<u>157,632</u>
Total depreciation expense - business-type activities	<u>\$ 348,576</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years, the City entered into a capitalized lease for energy and pool improvements. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. The City made principal payments during 2012 of \$127,417 in the governmental activities and \$708,654 in the business-type activities.

The assets constructed through the capital lease are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property under Capital Lease	\$1,337,675	\$7,503,557
Less Accumulated Depreciation	<u>(125,809)</u>	<u>(617,599)</u>
Total at December 31, 2012	<u>\$1,211,866</u>	<u>\$6,885,958</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2013	\$ 159,065	\$ 884,670	\$ 1,043,735
2014	159,065	884,670	1,043,735
2015	159,065	884,670	1,043,735
2016	159,065	884,680	1,043,745
2017	119,299	663,503	782,802
Total Minimum Lease Payments	<u>755,559</u>	<u>4,202,193</u>	<u>4,957,752</u>
Less: Amount Representing Interest	<u>(73,006)</u>	<u>(406,048)</u>	<u>(479,054)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 682,553</u>	<u>\$ 3,796,145</u>	<u>\$ 4,478,698</u>

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2012 follows:

	Principal Outstanding 12/31/11	Additions	Retirements	Principal Outstanding 12/31/12	Amounts Due in One Year
Governmental Activities:					
Capital Lease	\$ 809,970	\$ -	\$ (127,417)	\$ 682,553	\$ 132,788
Ambulance Loan - 3.25%	-	120,812	(14,241)	106,571	29,207
Police Pension	19,241	-	(492)	18,749	513
Compensated Absences	31,558	42,637	(45,156)	29,039	-
Total Governmental Activities	<u>\$ 860,769</u>	<u>\$ 163,449</u>	<u>\$ (187,306)</u>	<u>\$ 836,912</u>	<u>\$ 162,508</u>
Business-Type Activities:					
OPWC Loans:					
Water Well - 2%	\$ 46,003	\$ -	\$ (3,979)	\$ 42,024	\$ 4,059
Wastewater Treatment Plant - 2%	138,841	-	(9,881)	128,960	10,080
Total OPWC Loans	<u>184,844</u>	<u>-</u>	<u>(13,860)</u>	<u>170,984</u>	<u>14,139</u>
Water Lines Loan - 3.75%	-	100,250	(13,679)	86,571	24,187
Water Tank Loan - 4.52%	308,675	-	(52,590)	256,085	55,091
Capital Lease	4,504,799	-	(708,654)	3,796,145	738,525
Compensated Absences	12,077	26,943	(28,338)	10,682	-
Total Business-Type Activities	<u>\$ 5,010,395</u>	<u>\$ 127,193</u>	<u>\$ (817,121)</u>	<u>\$ 4,320,467</u>	<u>\$ 831,942</u>

The police pension is paid from general property tax revenues from the General Fund. The police pension liability payments are reflected as program expenditures in the General Fund budgetary statement and principal and interest in the fund financial statements. Capital leases will be paid with energy savings from the General Fund and the Water and Sewer Enterprise Funds. Compensated absences for sick leave liabilities will be paid from the General Fund, Street Special Revenue Fund, and Sewer and Water Enterprise Funds.

On June 20, 2012, the City was approved for a \$120,812 loan to finance the purchase of a new ambulance. The loan matures on June, 20, 2016.

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

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

On May 23, 2012, the City was approved for a \$100,250 loan to finance installation of new water lines. Charges for services in the Water Enterprise Fund will repay this obligation. The loan matures on May 23, 2016.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

The City's overall legal debt margin was \$10,928,871 at December 31, 2012.

Principal and interest requirements to retire the police pension liability at December 31, 2012, are as follows:

Year	Principal	Interest	Total
2013	\$ 513	\$ 791	\$ 1,304
2014	534	770	1,304
2015	558	747	1,305
2016	582	723	1,305
2017	606	699	1,305
2018-2022	3,436	3,089	6,525
2023-2027	4,225	2,300	6,525
2028-2032	5,195	1,330	6,525
2033-2035	3,100	212	3,312
	<u>\$ 18,749</u>	<u>\$ 10,661</u>	<u>\$ 29,410</u>

Principal and interest requirements to retire the ambulance loan at December 31, 2012, are as follows:

Year	Principal	Interest	Total
2013	\$ 29,207	\$ 3,073	\$ 32,280
2014	30,184	2,095	32,279
2015	31,194	1,086	32,280
2016	15,986	155	16,141
	<u>\$ 106,571</u>	<u>\$ 6,409</u>	<u>\$ 112,980</u>

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the OPWC loans at December 31, 2012, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 14,139	\$ 3,349	\$ 17,488
2014	14,424	3,065	17,489
2015	14,713	2,775	17,488
2016	15,008	2,480	17,488
2017	15,310	2,178	17,488
2018-2022	78,849	6,160	85,009
2023-2024	18,541	371	18,912
	<u>\$ 170,984</u>	<u>\$ 20,378</u>	<u>\$ 191,362</u>

Principal and interest requirements to retire the water lines and water tank loans at December 31, 2012, are as follows:

<u>Year</u>	<u>Water Lines Loan</u>			<u>Water Tank Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 24,187	\$ 2,872	\$ 27,059	\$ 55,091	\$ 10,586	\$ 65,677
2014	25,122	1,937	27,059	200,994	782	201,776
2015	26,094	965	27,059			
2016	11,168	106	11,274			
	<u>\$ 86,571</u>	<u>\$ 5,880</u>	<u>\$ 92,451</u>	<u>\$ 256,085</u>	<u>\$ 11,368</u>	<u>\$ 267,453</u>

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the City contracted with Wells Fargo Insurance Services USA, Inc.

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

Type of Coverage	Limit	Aggregate	Deductible
Property:			
Blanket Building and Contents	\$20,997,561		\$1,000
Computer Equipment	250,000		500
Emergency Services Equipment	270,000		500
Contractors Equipment	2,080,350		500
Liability:			
General	1,000,000 per Occurrence	\$3,000,000	0
Employee Practices	1,000,000 per Occurrence	3,000,000	2,500
Public Officials	1,000,000 per Occurrence	3,000,000	2,500
Law Enforcement	1,000,000 per Occurrence	3,000,000	2,500
Excess Liability	2,000,000 per Occurrence	2,000,000	0
Vehicle:			
Liability	1,000,000		0
Medical Expense	5,000		0
Hired Car Physical Damage	25,000		
Comprehensive; Collision			1,000
Crime:			
Employee Dishonesty Blanket	250,000		1,000
Forgery	25,000		500
Monies and Securities	25,000		500

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

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - EMPLOYEE BENEFITS

A. Insurance

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

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

B. Compensated Absences

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

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$121,533, \$118,382, and \$80,212, respectively; 98.11% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as an intergovernmental payable on the basic financial statements.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$61,054 and \$5,708 for the year ended December 31, 2012, \$54,550 and \$5,579 for the year ended December 31, 2011, and \$70,101 and \$5,427, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 96.53% has been contributed for police and 97.70% has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as an intergovernmental payable on the basic financial statements.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - 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.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$48,631, \$47,458, and \$44,562, respectively; 98.11% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as an intergovernmental payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

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

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

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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into 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, 2012, 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 the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$32,323 and \$2,233 for the year ended December 31, 2012, \$28,879 and \$2,183 for the year ended December 31, 2011, and \$37,112 and \$2,124, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 96.53% has been contributed for police and 97.70% has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as an intergovernmental payable on the basic financial statements.

NOTE 16 - CONTINGENT LIABILITIES

A. Litigation

The City is not party to any legal proceedings.

B. Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CITY OF BELPRE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

The Community Action Program Corporation of Washington-Morgan Counties, Ohio, is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program; the Community Action Bus Line (CABL); the Child Development Program; the Senior Nutrition Program; Women, Infants and Children's Supplemental Nutrition Program; the Home Weatherization Assistance and Energy Program; the Job Training and Partnership Act Program; Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program; and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Belpre and Washington and Morgan Counties, provides administrative services to these governments in specific programs. During 2012, the Corporation did not receive any administrative fees from the City. These fees were received by the Corporation directly from the granting agencies. The continued existence of the Corporation is not dependent on the City's continued participation and the City does not have an equity interest in the Corporation.

B. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives including the Mayor of the City of Belpre. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. During 2012, the City of Belpre contributed \$1,707. The continued existence of the Commission is not dependent on the City's continued participation and the City does not have an equity interest in the Commission.

C. Regional Income Tax Agency (RITA)

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose. The first official act of the RCOG was to form RITA. Today RITA serves as the income tax collection agency for 208 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection effective January 1, 2012.

CITY OF BELPRE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

NOTE 18 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 7,091
Street fund	2,186
Other governmental funds	<u>3</u>
Total	<u>\$ 9,280</u>

NOTE 19 - SANITATION

On April 1, 2011, the City began providing and accounting for their sanitation services out of the General Fund. The current balance in the sanitation fund (a nonmajor enterprise fund) will remain until the appropriate steps are taken to release the funds.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

City of Belpre
715 Park Drive
Belpre, Ohio 45714

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Belpre, Washington County, Ohio as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Belpre's basic financial statements and have issued our report thereon dated May 24, 2013. In addition, as discussed in Note 3, we noted that in 2012, the City of Belpre adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows and Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Also, the City of Belpre restated the fund balances at the beginning of the year on the statement of revenues, expenditures and changes in fund balance - budget and actual general fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Belpre's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Belpre's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Belpre's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
City of Belpre

Compliance and Other Matters

As part of reasonably assuring whether the City of Belpre's financial statements are free of material 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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Belpre's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Belpre's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
May 24, 2013

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Dave Yost • Auditor of State

CITY OF BELPRE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 1, 2013**