



Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

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LOGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

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 Bellefontaine, Logan County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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'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'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 Bellefontaine, Logan County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Department Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities and pension contributions 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 September 22, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2016

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

This discussion and analysis of the City of Bellefontaine's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$64.1 million (net position). Of this amount, \$2.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$907,273 during the year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$7.3 million, an increase of \$66,655 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.5 million, or 36 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net 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 non-major funds presented in total in one column.

Reporting the City of Bellefontaine as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" 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 most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
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(UNAUDITED)**

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

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City's governmental activities are accounted for in 47 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Improvement, Reconstruction Improvement and Street Department Fund, which are considered to be the City's major governmental funds. Data from the other 43 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the basic financial statements

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014.

**TABLE 1
Net Position**

	Governmental Activites		Business-type Activities		Total	
	Restated		Restated		Restated	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 9,914,694	\$ 9,991,292	\$ 6,200,277	\$ 6,162,427	\$ 16,114,971	\$ 16,153,719
Capital assets	27,646,416	27,563,685	36,524,371	37,194,311	64,170,787	64,757,996
Total Assets	37,561,110	37,554,977	42,724,648	43,356,738	80,285,758	80,911,715
Deferred Outflows of Resources	762,502	1,169,022	187,497	278,425	949,999	1,447,447
Current liabilities	576,020	525,299	418,412	434,349	994,432	959,648
Long-term liabilities	2,068,139	2,270,000	4,922,383	4,454,377	6,990,522	6,724,377
Net pension liability	7,842,298	8,262,159	1,645,934	1,703,169	9,488,232	9,965,328
Total Liabilities	10,486,457	11,057,458	6,986,729	6,591,895	17,473,186	17,649,353
Deferred Inflows of Resources	536,828	555,717	-	21,076	536,828	576,793
Net Position:						
Net Investment in capital assets	26,723,860	26,498,157	31,951,305	33,107,861	58,675,165	59,606,018
Restricted	2,181,987	2,050,533	-	-	2,181,987	2,050,533
Unrestricted	(1,605,520)	(1,437,866)	3,974,111	3,914,331	2,368,591	2,476,465
Total Net Position	\$ 27,300,327	\$ 27,110,824	\$ 35,925,416	\$ 37,022,192	\$ 63,225,743	\$ 64,133,016

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Under the new standards required by GASB 68, the net pension asset and net pension liability equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise, if applicable, is a present obligation of the City, part of a bargained-for benefit to the employee, and should accordingly be reported by the City as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribute rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by the contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension systems are responsible for the administration of the plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with the required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension asset/liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension asset, net pension liability, and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$34,377,353 to \$27,300,327 for governmental activities and from \$37,383,853 to \$35,925,416 for business type activities.

By far the largest portion of the City's net position (93 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive net position balances in each of its governmental and business-type activities net position classifications. Unrestricted net position of approximately negative \$1.4 million and \$3.9 million in the governmental and business-type activities, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

In the Government Activities, current liabilities decreased significantly, primarily as a result of a decrease in accounts payable related to the Historical Society Fund, which was completed in 2014. Long-term liabilities increased, primarily as a result of a new Ohio Public Works Commission (OPWC) loan.

In the Business-type Activities, long-term liabilities decreased significantly, primarily due to principal payments of \$492,616 during the year.

Table 2 shows the changes in net position for the year ended December 31, 2015 and 2014.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	Restated 2014	2015	Restated 2014	2015	Restated 2014	2015
Program revenues:						
Charges for services	\$ 1,269,757	\$ 1,193,682	\$ 6,425,336	\$ 6,553,998	\$ 7,695,093	\$ 7,747,680
Grants and contributions	4,640,807	1,243,850	-	174,693	4,640,807	1,418,543
General revenues:						
Property taxes	575,675	587,981	-	-	575,675	587,981
Income taxes	5,797,171	5,770,370	-	-	5,797,171	5,770,370
Other local taxes	54,466	56,027	-	-	54,466	56,027
Unrestricted grants	272,671	252,282	-	-	272,671	252,282
Investment earnings	38,631	66,160	512	40	39,143	66,200
Other	315,494	191,771	78,102	69,631	393,596	261,402
Total revenues	12,964,672	9,362,123	6,503,950	6,798,362	19,468,622	16,160,485
Expenses:						
General government	2,275,668	2,114,943	-	-	2,275,668	2,114,943
Public safety	4,223,690	4,556,678	-	-	4,223,690	4,556,678
Public works	264,193	58,094	-	-	264,193	58,094
Health	161,757	260,607	-	-	161,757	260,607
Conservation and recreation	1,414,596	663,770	-	-	1,414,596	663,770
Economic development	442,897	408,083	-	-	442,897	408,083
Transportation	1,175,741	1,304,203	-	-	1,175,741	1,304,203
Interest on long-term debt	21,086	18,199	-	-	21,086	18,199
Water	-	-	1,804,997	2,087,113	1,804,997	2,087,113
Sewer	-	-	2,219,957	2,114,497	2,219,957	2,114,497
Airport	-	-	382,164	304,356	382,164	304,356
Garbage	-	-	838,143	893,993	838,143	893,993
Ambulance	-	-	414,664	458,196	414,664	458,196
Other	-	-	12,953	10,480	12,953	10,480
Total expenses	9,979,628	9,384,577	5,672,878	5,868,635	15,652,506	15,253,212
Increase/Decrease in net position before transfers	2,985,044	(22,454)	831,072	929,727	3,816,116	907,273
Transfers	(282,334)	(167,049)	282,334	167,049	-	-
Change in net position	\$ 2,702,710	\$ (189,503)	\$ 1,113,406	\$ 1,096,776	\$ 3,816,116	\$ 907,273
Net position, beginning, restated	N/A	27,300,327	N/A	35,925,416	N/A	63,225,743
Net position, ending	\$ 27,300,327	\$ 27,110,824	\$ 35,925,416	\$ 37,022,192	\$ 63,225,743	\$ 64,133,016

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$949,999 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of approximately \$1.0 million. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 9,384,577	\$ 5,868,635	\$ 15,253,212
Pension expense under GASB 68	(836,013)	(180,095)	(1,016,108)
2015 contractually required contribution	791,748	192,713	984,461
Adjusted 2015 program expenses	<u>9,340,312</u>	<u>5,881,253</u>	<u>15,221,565</u>
 Total 2014 program expenses under GASB 27	 <u>9,979,628</u>	 <u>5,672,878</u>	 <u>15,652,506</u>
 Increase/(Decrease) in program expenses not related to pension	 <u>\$ (639,316)</u>	 <u>\$ 208,375</u>	 <u>\$ (430,941)</u>

In the governmental activities, grants and contributions decreased significantly in comparison with the prior year. This decrease is the result of a donation of land and grant funding for the Simon Kenton Trail in 2014. In addition, total expenses decreased significantly in comparison with the prior year. This decrease is primarily the result of a decrease in conservation and recreation expenses related to the Historical Society Fund project, which was finalized in 2014.

In business-type activities, grants and contributions increased significantly in comparison with the prior year. This increase is the result of an increase in Federal Aviation Administration funding in 2015.

**CITY OF BELLEFONTAINE, OHIO
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**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Total versus Net Cost of Services

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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2014	2015	2014	2015
Governmental Activities:				
General government	\$ (2,275,668)	\$ (2,114,943)	\$ (1,187,579)	\$ (1,117,638)
Public safety	(4,223,690)	(4,556,678)	(4,034,407)	(4,465,779)
Public works	(264,193)	(58,094)	(264,193)	(58,094)
Health	(161,757)	(260,607)	(109,367)	(207,609)
Conservation and recreation	(1,414,596)	(663,770)	1,511,153	(488,672)
Economic development	(442,897)	(408,083)	(43,511)	(78,747)
Transportation	(1,175,741)	(1,304,203)	79,926	(512,307)
Interest on long-term debt	(21,086)	(18,199)	(21,086)	(18,199)
Total Governmental Activities	(9,979,628)	(9,384,577)	(4,069,064)	(6,947,045)
Business-Type Activities:				
Water	(1,804,997)	(2,087,113)	269,355	48,718
Sewer	(2,219,957)	(2,114,497)	597,749	706,104
Airport	(382,164)	(304,356)	(288,068)	(29,347)
Garbage	(838,143)	(893,993)	141,510	58,473
Ambulance	(414,664)	(458,196)	36,712	78,263
Other	(12,953)	(10,480)	(4,800)	(2,155)
Total Business-Type Activities	(5,672,878)	(5,868,635)	752,458	860,056
Grand Total	\$ (15,652,506)	\$ (15,253,212)	\$ (3,316,606)	\$ (6,086,989)

In the governmental activities, the City's reliance upon general tax revenues is demonstrated by the net cost of services column above reflecting the need for approximately \$6.9 million of support.

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.3 million, a \$66,655 increase from the previous year.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2015 and 2014.

	<u>Fund Balance</u> <u>12/31/2014</u>	<u>Fund Balance</u> <u>12/31/2015</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,950,399	\$ 3,068,378	\$ 117,979
Capital improvements	2,559,868	2,541,796	(18,072)
Reconstruction Improvement	(259,580)	(236,364)	23,216
Street Department	205,011	368,213	163,202
Other Governmental	1,824,346	1,604,676	(219,670)
Total	<u>\$ 7,280,044</u>	<u>\$ 7,346,699</u>	<u>\$ 66,655</u>

General Fund

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$2.5 million, or 36 percent of total general fund expenditures. The fund balance of the City's general fund increased \$117,979 during the current year. This increase is the result of an increase in intergovernmental revenue and a decrease in public safety expenditures during the year.

Capital Improvements Fund

The Capital Improvements Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement funds' fund balance decreased \$18,072 during the fiscal year. This decrease represents the amount in which debt principal payments exceeded interest earnings during the year.

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement funds' fund balance increased \$23,216 during the year. This increase is a result of grant and interest revenues exceeding capital outlay expenditures in the fund.

Street Department Fund

The Street Department Fund accounts for the accumulation of financial resources to be used for the construction and maintenance of city streets. The street department funds' fund balance increased \$163,202 during the year. This increase is a result of intergovernmental revenues and other revenue exceeding transportation expenditures in the fund.

Other Governmental Funds

The fund balance of the City's Other Governmental Funds decreased \$219,670 in comparison with the prior year. This decrease represents the amount in which program expenditures exceeded program revenues, proceeds from loans, and transfers in from the General Fund during the year.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Proprietary Funds

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

Total net position in the Water Fund was \$10.1 million at year-end, an increase of \$109,752 in comparison with the prior year. This increase primarily consists of operating income of \$126,048.

Total net position in the Sewer Fund was \$15.9 million at year-end, an increase of \$686,563 in comparison with the prior year. This increase primarily consists of operating income of \$755,858.

Total net position in the Airport Fund was \$9.3 million at year-end, an increase of \$137,729 in comparison with the prior year. This increase primarily represents Federal Aviation Administration grant funding received during the year.

Total net position in the Garbage Fund was \$1.0 million at year-end, an increase of \$84,720 in comparison with the prior year. This increase represents operating income.

Total net position in the Ambulance Fund was \$397,788 at year-end, an increase of \$79,157 in comparison with the prior year. This increase primarily consists of operating income of \$75,407.

Unrestricted net position in the Nonmajor Enterprise Funds at the end of the year amounted to \$242,823, a decrease of \$1,145 in comparison with the prior year. By far, the most significant nonmajor enterprise fund is the parking meter fund. Total net position of the parking meter fund decreased \$1,213 during the year as a result of operations.

General Fund Budgetary Information

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

The City's final amended revenue estimate exceeded the actual revenues and other financing sources by only \$91,715. The variance between the final amended revenue estimate and the original revenue estimate was insignificant.

The final amended appropriations exceeded actual expenditures and other financing uses by \$317,122. The variance between the final amended appropriations and the original appropriation resolution was insignificant.

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2015 totals \$27.6 million (net of accumulated depreciation), a decrease of \$82,731 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. This decrease represents the amount in which current year depreciation (\$1.0 million), transfers (\$2,049), and disposals (\$5,997) exceeded current year acquisitions (\$1.0 million)

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The City's investment in capital assets for business-type activities as of December 31, 2015 totals \$37.1 million (net of accumulated depreciation), an increase of \$669,940 in comparison with the prior year. This increase represents the amount in which current year acquisitions (\$1.8 million) and transfers (\$2,049) exceeded current year depreciation (1.2 million) and disposals (\$16,206).

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

Debt

At the end of the current year, the City had total debt outstanding of \$5.2 million. Of this amount, \$4.2 million represents bonds backed by the full faith and credit of the City, \$52,096 represents bank loans, and the remaining \$899,549 represents interest free loans.

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

Contacting the City Auditor's Department

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 7,636,487	\$ 4,405,184	\$ 12,041,671
Investments	85,900	-	85,900
Receivables:			
Taxes	1,540,392	-	1,540,392
Accounts	27,540	1,577,028	1,604,568
Intergovernmental	411,659	-	411,659
Interest	20,850	-	20,850
Materials and supplies inventory	167,686	163,716	331,402
Prepaid items	90,615	16,499	107,114
Nondepreciable capital assets	8,028,184	1,784,949	9,813,133
Depreciable capital assets, net	19,535,501	35,409,362	54,944,863
Net Pension Asset	10,163	-	10,163
Total assets	37,554,977	43,356,738	80,911,715
Deferred Outflows of Resources			
Pension	1,169,022	278,425	1,447,447
Total Deferred Outflows of Resources	1,169,022	278,425	1,447,447
Liabilities			
Accounts payable	62,250	115,479	177,729
Accrued wages and benefits	240,231	76,280	316,511
Intergovernmental payable	190,317	28,773	219,090
Unearned Revenue	30,678	-	30,678
Interest payable	1,823	9,304	11,127
Retainage payable	-	17,177	17,177
Refundable deposits	-	187,336	187,336
Long-term liabilities			
Due within one year	581,073	440,229	1,021,302
Due in more than one year	1,688,927	4,014,148	5,703,075
Net Pension Liability	8,262,159	1,703,169	9,965,328
Total liabilities	11,057,458	6,591,895	17,649,353
Deferred Inflows of Resources:			
Property and other local taxes	517,400	-	517,400
Pension	38,317	21,076	59,393
Total deferred inflows of resources	555,717	21,076	576,793
Net Position			
Net investment in capital assets	26,498,157	33,107,861	59,606,018
Restricted for:			
Capital projects	108,088	-	108,088
Street maintenance and repair	598,689	-	598,689
Public safety	185,523	-	185,523
Economic development	47,896	-	47,896
Health	397,043	-	397,043
Judicial	713,294	-	713,294
Unrestricted	(1,437,866)	3,914,331	2,476,465
Total net position	\$ 27,110,824	\$ 37,022,192	\$ 64,133,016

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,114,943	\$ 885,383	\$ 111,922	\$ -
Public safety	4,556,678	49,630	41,269	-
Public works	58,094	-	-	-
Health	260,607	52,678	320	-
Conservation and recreation	663,770	172,918	2,180	-
Economic development	408,083	13,714	315,622	-
Transportation	1,304,203	19,359	527,538	244,999
Interest on long-term debt	18,199	-	-	-
Total governmental activities	<u>9,384,577</u>	<u>1,193,682</u>	<u>998,851</u>	<u>244,999</u>
Business-type Activities:				
Water	2,087,113	2,135,831	-	-
Sewer	2,114,497	2,820,601	-	-
Airport	304,356	104,066	-	170,943
Garbage	893,993	952,466	-	-
Ambulance	458,196	532,709	-	3,750
Other	10,480	8,325	-	-
Total business-type activities	<u>5,868,635</u>	<u>6,553,998</u>	<u>-</u>	<u>174,693</u>
Total government	<u>\$ 15,253,212</u>	<u>\$ 7,747,680</u>	<u>\$ 998,851</u>	<u>\$ 419,692</u>

General Revenues:

- Property taxes
- Income taxes
- Other local taxes
- Unrestricted grants and entitlements
- Unrestricted investment earnings
- Other unrestricted revenues
- Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, restated

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
\$ (1,117,638)	\$ -	\$ (1,117,638)
(4,465,779)	-	(4,465,779)
(58,094)	-	(58,094)
(207,609)	-	(207,609)
(488,672)	-	(488,672)
(78,747)	-	(78,747)
(512,307)	-	(512,307)
(18,199)	-	(18,199)
<u>(6,947,045)</u>	<u>-</u>	<u>(6,947,045)</u>
-	48,718	48,718
-	706,104	706,104
-	(29,347)	(29,347)
-	58,473	58,473
-	78,263	78,263
-	(2,155)	(2,155)
<u>-</u>	<u>860,056</u>	<u>860,056</u>
<u>(6,947,045)</u>	<u>860,056</u>	<u>(6,086,989)</u>
587,981	-	587,981
5,770,370	-	5,770,370
56,027	-	56,027
252,282	-	252,282
66,160	40	66,200
191,771	69,631	261,402
(167,049)	167,049	-
<u>6,757,542</u>	<u>236,720</u>	<u>6,994,262</u>
(189,503)	1,096,776	907,273
<u>27,300,327</u>	<u>35,925,416</u>	<u>63,225,743</u>
<u>\$ 27,110,824</u>	<u>\$ 37,022,192</u>	<u>\$ 64,133,016</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Assets:				
Pooled cash and cash equivalents	\$ 2,601,316	\$ 2,373,796	\$ 163,636	\$ 297,954
Investments	-	-	-	-
Receivables:				
Taxes	1,418,403	-	-	-
Accounts	18,236	-	-	-
Intergovernmental	125,765	-	-	253,882
Interest	20,850	-	-	-
Prepaid items	28,133	-	-	2,670
Materials and supplies inventory	-	-	-	167,686
Due from other funds	550,000	-	-	-
Advances to other funds	-	168,000	-	-
Total assets	<u>\$ 4,762,703</u>	<u>\$ 2,541,796</u>	<u>\$ 163,636</u>	<u>\$ 722,192</u>
Liabilities:				
Accounts payable	\$ 49,052	\$ -	\$ -	\$ 5,641
Accrued wages and benefits	225,404	-	-	8,235
Intergovernmental payable	110,157	-	-	2,848
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Advances from other funds	-	-	400,000	168,000
Total liabilities	<u>384,613</u>	<u>-</u>	<u>400,000</u>	<u>184,724</u>
Deferred Inflows of Resources:				
Unavailable revenue	899,048	-	-	169,255
Property and other local taxes	410,664	-	-	-
Total deferred inflows of resources	<u>1,309,712</u>	<u>-</u>	<u>-</u>	<u>169,255</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	167,686
Prepaid items	28,133	-	-	2,670
Advances	-	168,000	-	-
Restricted for:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Street maintenance and repair	-	-	-	197,857
Public safety	-	-	-	-
Economic development	-	-	-	-
Health	-	-	-	-
Judicial	-	-	-	-
Conservation and recreation	-	-	-	-
Assigned for:				
Future appropriations	126,778	-	-	-
Conservation and recreation	12,900	-	-	-
Capital projects	-	2,373,796	-	-
General government	232,942	-	-	-
Judicial	24,011	-	-	-
Public safety	132,984	-	-	-
Public works	22,025	-	-	-
Transportation	25,264	-	-	-
Unassigned	2,463,341	-	(236,364)	-
Total fund balances	<u>3,068,378</u>	<u>2,541,796</u>	<u>(236,364)</u>	<u>368,213</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,762,703</u>	<u>\$ 2,541,796</u>	<u>\$ 163,636</u>	<u>\$ 722,192</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,695,210	\$ 7,131,912
85,900	85,900
121,989	1,540,392
9,304	27,540
32,012	411,659
-	20,850
1,390	32,193
-	167,686
-	550,000
-	168,000
<u>\$ 1,945,805</u>	<u>\$ 10,136,132</u>
\$ 7,557	\$ 62,250
6,592	240,231
2,354	115,359
150,000	150,000
30,678	30,678
-	568,000
<u>197,181</u>	<u>1,166,518</u>
37,212	1,105,515
106,736	517,400
<u>143,948</u>	<u>1,622,915</u>
-	167,686
1,390	32,193
-	168,000
71,772	71,772
267	267
47,498	245,355
175,512	175,512
47,896	47,896
390,990	390,990
740,907	740,907
9,660	9,660
-	126,778
4,384	17,284
114,400	2,488,196
-	232,942
-	24,011
-	132,984
-	22,025
-	25,264
-	2,226,977
<u>1,604,676</u>	<u>7,346,699</u>
<u>\$ 1,945,805</u>	<u>\$ 10,136,132</u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total Governmental Fund Balances	\$ 7,346,699
 <i>Amounts reported for governmental activities in 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.	27,563,685
The net pension asset is not a financial resource and therefore is not reported in the funds.	10,163
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent property taxes receivable	55,753
Income taxes receivable	750,449
Accounts receivable	5,975
Intergovernmental receivable	281,847
Interest receivable	11,491
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized premium on bonds	(3,706)
Internal service funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	488,039
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows - pension	1,169,022
Deferred inflows - pension	(38,317)
Net pension liability	(8,262,159)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,200,766)
General obligation debt	(1,065,528)
Accrued interest payable	(1,823)
 Net Position of Governmental Activities	 <u>\$ 27,110,824</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Revenues:				
Property taxes	\$ 424,671	\$ -	\$ -	\$ -
Income taxes	5,610,374	-	-	-
Other local taxes	27,500	-	-	-
Charges for services	142,234	-	-	-
Licenses, permits and fees	135,499	-	-	-
Fines and forfeitures	615,345	-	-	-
Intergovernmental	271,859	-	244,999	510,456
Interest	21,728	23,688	3,153	2,827
Rent	-	-	-	-
Donations and contributions	-	-	-	-
Refunds and reimbursements	39,669	-	-	19,359
Other	29,354	-	-	-
Total revenues	<u>7,318,233</u>	<u>23,688</u>	<u>248,152</u>	<u>532,642</u>
Expenditures:				
General government:				
Legislative and executive	1,292,952	-	-	-
Judicial	552,941	-	-	-
Public safety	3,866,934	-	-	-
Health	100,029	-	-	-
Conservation and recreation	573,838	-	-	-
Economic development	46,386	-	-	-
Transportation	319,209	-	-	369,440
Capital outlay	51,214	-	224,936	-
Debt service:				
Principal retirement	31,683	41,732	-	-
Interest and fiscal charges	15,004	28	-	-
Total expenditures	<u>6,850,190</u>	<u>41,760</u>	<u>224,936</u>	<u>369,440</u>
Excess (Deficiency) of revenues over (under) expenditures	468,043	(18,072)	23,216	163,202
Other financing sources (uses):				
Proceeds from loans	-	-	-	-
Proceeds from sale of capital assets	10,456	-	-	-
Transfers in	-	-	-	-
Transfers out	(360,520)	-	-	-
Total other financing sources (uses)	<u>(350,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balances	117,979	(18,072)	23,216	163,202
Fund balance at beginning of year	2,950,399	2,559,868	(259,580)	205,011
Fund balance at end of year	<u>\$ 3,068,378</u>	<u>\$ 2,541,796</u>	<u>\$ (236,364)</u>	<u>\$ 368,213</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 156,940	\$ 581,611
-	5,610,374
28,527	56,027
26,999	169,233
161,509	297,008
137,094	752,439
482,237	1,509,551
3,273	54,669
16,969	16,969
20,852	20,852
14,428	73,456
15,868	45,222
<u>1,064,696</u>	<u>9,187,411</u>
-	1,292,952
199,152	752,093
406,905	4,273,839
154,996	255,025
14,906	588,744
339,697	386,083
37,811	726,460
538,117	814,267
101,486	174,901
4,689	19,721
<u>1,797,759</u>	<u>9,284,085</u>
(733,063)	(96,674)
317,873	317,873
-	10,456
195,520	195,520
-	(360,520)
<u>513,393</u>	<u>163,329</u>
(219,670)	66,655
1,824,346	7,280,044
<u>\$ 1,604,676</u>	<u>\$ 7,346,699</u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds		\$ 66,655
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
	Capital outlays	924,766
	Depreciation	(999,451)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.		(8,046)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Delinquent property taxes	6,370
	Income taxes	159,996
	Charges for services	(275)
	Intergovernmental revenues	(34,271)
	Interest revenues	11,491
Repayment of bond principal and payments toward pension obligations are expenditures in the government funds, but the repayment reduces long-term liabilities of net position and does not result in an expense in the statement of activities.		174,901
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		791,748
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(836,013)
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
	Proceeds from notes	(317,873)
	Amortization of premium on bonds	1,720
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.		(45,897)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
	Compensated absences	(85,126)
	Accrued interest	(198)
Change in Net Position of Governmental Activities		<u>\$ (189,503)</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 441,400	\$ 441,400	\$ 426,618	\$ (14,782)
Income taxes	5,925,000	5,925,000	6,010,281	85,281
Other local taxes	15,000	15,000	27,500	12,500
Charges for services	33,000	33,000	32,035	(965)
Licenses, permits and fees	93,825	93,825	90,039	(3,786)
Fines and forfeitures	694,000	694,000	615,345	(78,655)
Intergovernmental	270,250	270,250	276,129	5,879
Interest	32,000	32,000	52,434	20,434
Refunds and reimbursements	500,100	500,100	364,669	(135,431)
Other	22,000	22,000	29,354	7,354
Total revenues	<u>8,026,575</u>	<u>8,026,575</u>	<u>7,924,404</u>	<u>(102,171)</u>
Expenditures				
General government:				
Legislative and executive	1,709,556	1,835,056	1,791,841	43,215
Judicial	662,365	662,365	605,080	57,285
Public safety	4,243,702	4,357,702	4,330,712	26,990
Public works	386,291	386,291	369,447	16,844
Health	100,500	100,500	100,029	471
Economic development	58,500	58,500	57,636	864
Transportation	346,147	346,147	347,422	(1,275)
Capital outlay	70,694	112,694	47,446	65,248
Debt service:				
Principal retirement	31,683	31,683	31,683	-
Interest and fiscal charges	15,004	15,004	15,004	-
Total expenditures	<u>7,624,442</u>	<u>7,905,942</u>	<u>7,696,300</u>	<u>209,642</u>
Excess of Revenues Over/ (Under) Expenditures	402,133	120,633	228,104	107,471
Other Financing Sources/(Uses)				
Proceeds from sale of capital assets	-	-	10,456	10,456
Transfers out	(895,500)	(895,500)	(788,020)	107,480
Total other financing sources/(uses)	<u>(895,500)</u>	<u>(895,500)</u>	<u>(777,564)</u>	<u>117,936</u>
Net change in fund balance	(493,367)	(774,867)	(549,460)	225,407
Fund balances at beginning of year	2,454,967	2,454,967	2,454,967	-
Prior year encumbrances appropriated	263,507	263,507	263,507	-
Fund balances at end of year	<u>\$ 2,225,107</u>	<u>\$ 1,943,607</u>	<u>\$ 2,169,014</u>	<u>\$ 225,407</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 560,015	\$ 560,015	\$ 512,430	\$ (47,585)
Interest	549	549	2,827	2,278
Refunds and reimbursements	14,436	14,436	19,359	4,923
Total revenues	<u>575,000</u>	<u>575,000</u>	<u>534,616</u>	<u>(40,384)</u>
Expenditures				
Transportation	760,518	760,518	513,100	247,418
Total expenditures	<u>760,518</u>	<u>760,518</u>	<u>513,100</u>	<u>247,418</u>
Excess of revenues over/ (under) expenditures	(185,518)	(185,518)	21,516	207,034
Other Financing Uses				
Advance out	(28,000)	(28,000)	(28,000)	-
Total other financing uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,000)</u>	<u>-</u>
Net change in fund balance	(213,518)	(213,518)	(6,484)	207,034
Fund balances at beginning of year	125,001	125,001	125,001	-
Prior year encumbrances appropriated	119,849	119,849	119,849	-
Fund balances at end of year	<u>\$ 31,332</u>	<u>\$ 31,332</u>	<u>\$ 238,366</u>	<u>\$ 207,034</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current assets:				
Pooled cash and cash equivalents	\$ 998,389	\$ 1,799,649	\$ 144,956	\$ 813,273
Receivables:				
Accounts	462,618	607,058	-	100,596
Prepaid items	9,853	518	145	-
Materials and supplies inventory	154,585	9,131	-	-
Total current assets	<u>1,625,445</u>	<u>2,416,356</u>	<u>145,101</u>	<u>913,869</u>
Noncurrent assets:				
Advances to other funds	-	400,000	-	-
Depreciable capital assets, net	9,735,388	15,775,034	9,485,239	258,833
Nondepreciable capital assets	719,204	103,820	745,305	-
Total noncurrent assets	<u>10,454,592</u>	<u>16,278,854</u>	<u>10,230,544</u>	<u>258,833</u>
Total assets	<u>12,080,037</u>	<u>18,695,210</u>	<u>10,375,645</u>	<u>1,172,702</u>
Deferred Outflows of Resources				
Pension	88,163	103,012	-	15,069
Total Deferred Outflows of Resources	<u>88,163</u>	<u>103,012</u>	<u>-</u>	<u>15,069</u>
Liabilities				
Current liabilities:				
Accounts payable	26,168	18,407	7,205	61,064
Accrued wages and benefits	27,159	32,967	-	4,835
Intergovernmental payable	9,600	11,656	-	1,722
Interest payable	2,977	3,986	2,341	-
Retainage payable	-	17,177	-	-
Refundable deposits	-	-	-	-
Due to other funds	175,000	225,000	-	-
Notes payable	712	22,920	-	-
Bonds payable	80,545	107,843	114,876	-
Compensated absences	38,695	35,432	-	7,754
Total current liabilities	<u>360,856</u>	<u>475,388</u>	<u>124,422</u>	<u>75,375</u>
Noncurrent liabilities:				
Notes payable	6,053	314,400	-	-
Bonds payable	1,067,028	1,428,661	965,433	-
Compensated absences	121,232	66,425	-	8,053
Net Pension Liability	470,309	564,344	-	80,685
Total Noncurrent Liabilities	<u>1,664,622</u>	<u>2,373,830</u>	<u>965,433</u>	<u>88,738</u>
Total liabilities	<u>2,025,478</u>	<u>2,849,218</u>	<u>1,089,855</u>	<u>164,113</u>
Deferred Inflows of Resources				
Pension	8,262	9,914	-	1,417
Total Deferred Inflows of Resources	<u>8,262</u>	<u>9,914</u>	<u>-</u>	<u>1,417</u>
Net Position				
Net investment in capital assets	9,309,463	14,017,360	9,150,717	258,833
Unrestricted	824,997	1,921,730	135,073	763,408
Total net position	<u>\$ 10,134,460</u>	<u>\$ 15,939,090</u>	<u>\$ 9,285,790</u>	<u>\$ 1,022,241</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 446,942	\$ 201,975	\$ 4,405,184	\$ 504,575
-	-	-	-
406,756	-	1,577,028	-
5,905	78	16,499	58,422
-	-	163,716	-
<u>859,603</u>	<u>202,053</u>	<u>6,162,427</u>	<u>562,997</u>
-	-	400,000	-
136,430	18,438	35,409,362	-
-	216,620	1,784,949	-
<u>136,430</u>	<u>235,058</u>	<u>37,594,311</u>	<u>-</u>
<u>996,033</u>	<u>437,111</u>	<u>43,756,738</u>	<u>562,997</u>
<u>70,860</u>	<u>1,321</u>	<u>278,425</u>	<u>-</u>
<u>70,860</u>	<u>1,321</u>	<u>278,425</u>	<u>-</u>
2,635	-	115,479	-
10,686	633	76,280	-
5,608	187	28,773	74,958
-	-	9,304	-
-	-	17,177	-
-	187,336	187,336	-
-	-	400,000	-
-	-	23,632	-
-	-	303,264	-
31,452	-	113,333	-
<u>50,381</u>	<u>188,156</u>	<u>1,274,578</u>	<u>74,958</u>
-	-	320,453	-
-	-	3,461,122	-
36,863	-	232,573	-
<u>580,507</u>	<u>7,324</u>	<u>1,703,169</u>	<u>-</u>
<u>617,370</u>	<u>7,324</u>	<u>5,717,317</u>	<u>-</u>
<u>667,751</u>	<u>195,480</u>	<u>6,991,895</u>	<u>74,958</u>
<u>1,354</u>	<u>129</u>	<u>21,076</u>	<u>-</u>
<u>1,354</u>	<u>129</u>	<u>21,076</u>	<u>-</u>
136,430	235,058	33,107,861	-
261,358	7,765	3,914,331	488,039
<u>\$ 397,788</u>	<u>\$ 242,823</u>	<u>\$ 37,022,192</u>	<u>\$ 488,039</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for services	\$ 2,134,255	\$ 2,820,601	\$ -	\$ 952,466
Refunds and reimbursements	1,576	-	-	-
Rental income	-	-	104,066	-
Other operating revenue	41,480	-	-	26,247
Total operating revenues	<u>2,177,311</u>	<u>2,820,601</u>	<u>104,066</u>	<u>978,713</u>
Operating Expenses				
Personal services	1,052,938	1,054,872	-	127,521
Contractual services	228,744	316,890	112,819	706,923
Materials and supplies	284,498	55,879	-	28,458
Depreciation	438,872	576,385	132,508	20,539
Other operating expenses	46,211	60,717	6,385	10,552
Total operating expenses	<u>2,051,263</u>	<u>2,064,743</u>	<u>251,712</u>	<u>893,993</u>
Operating income (loss)	<u>126,048</u>	<u>755,858</u>	<u>(147,646)</u>	<u>84,720</u>
Nonoperating Revenues (Expenses)				
Interest income	3	36	1	-
Grants income	-	-	170,943	-
Interest and fiscal charges	(35,850)	(49,754)	(52,644)	-
Other nonoperating revenue	3,024	-	2,075	-
Other nonoperating expense	-	(3,050)	-	-
Transfers in	16,527	-	165,000	-
Transfers out	-	(16,527)	-	-
Total non-operating revenues (expenses)	<u>(16,296)</u>	<u>(69,295)</u>	<u>285,375</u>	<u>-</u>
Change in net position	109,752	686,563	137,729	84,720
Net position at beginning of year, restated	10,024,708	15,252,527	9,148,061	937,521
Net position at end of year	<u>\$ 10,134,460</u>	<u>\$ 15,939,090</u>	<u>\$ 9,285,790</u>	<u>\$ 1,022,241</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 532,709	\$ 8,325	\$ 6,448,356	\$ 1,027,862
-	-	1,576	20,945
-	-	104,066	-
894	1,010	69,631	-
<u>533,603</u>	<u>9,335</u>	<u>6,623,629</u>	<u>1,048,807</u>
354,721	9,121	2,599,173	-
12,999	-	1,378,375	1,094,704
29,249	-	398,084	-
30,676	806	1,199,786	-
30,551	553	154,969	-
<u>458,196</u>	<u>10,480</u>	<u>5,730,387</u>	<u>1,094,704</u>
<u>75,407</u>	<u>(1,145)</u>	<u>893,242</u>	<u>(45,897)</u>
-	-	40	-
3,750	-	174,693	-
-	-	(138,248)	-
-	-	5,099	-
-	-	(3,050)	-
-	-	181,527	-
-	-	(16,527)	-
<u>3,750</u>	<u>-</u>	<u>203,534</u>	<u>-</u>
79,157	(1,145)	1,096,776	(45,897)
318,631	243,968	35,925,416	533,936
<u>\$ 397,788</u>	<u>\$ 242,823</u>	<u>\$ 37,022,192</u>	<u>\$ 488,039</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 2,073,192	\$ 2,806,037	\$ 104,066	\$ 971,190
Other operating receipts	43,056	-	-	26,247
Cash paid to employees	(904,984)	(838,393)	-	(128,673)
Cash paid to suppliers	(571,130)	(363,713)	(111,641)	(690,256)
Cash paid for other expenses	(46,718)	(68,755)	(14,857)	(8,140)
Net cash flows from operating activities	<u>593,416</u>	<u>1,535,176</u>	<u>(22,432)</u>	<u>170,368</u>
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	-	-	165,000	-
Advances in (out)	-	100,000	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>165,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(355,262)	(1,138,904)	(155,116)	(234,957)
Grants	-	-	170,943	-
Payment of debt	(79,467)	(303,366)	(109,783)	-
Payment of interest	(37,294)	(53,434)	(48,898)	-
Net cash flows from capital and related financing activities	<u>(472,023)</u>	<u>(1,495,704)</u>	<u>(142,854)</u>	<u>(234,957)</u>
Cash Flows from Investing Activities				
Cash received from interest	3	36	1	-
Net cash flows from investing activities	<u>3</u>	<u>36</u>	<u>1</u>	<u>-</u>
Net change in cash	121,396	139,508	(285)	(64,589)
Cash and cash equivalents at beginning of year	876,993	1,660,141	145,241	877,862
Cash and cash equivalents at end of year	<u>\$ 998,389</u>	<u>\$ 1,799,649</u>	<u>\$ 144,956</u>	<u>\$ 813,273</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 126,048	\$ 755,858	\$ (147,646)	\$ 84,720
Add depreciation expense	438,872	576,385	132,508	20,539
Add loss on disposals	950	3,253	-	-
(Increase)/Decrease in current assets				
Accounts receivable	(61,063)	(14,564)	-	18,724
Prepaid expenses	(9,114)	202	(4)	-
Materials and supplies inventory	(45,403)	(2,394)	-	-
Deferred Outflows of Resources - Pension	(30,605)	(33,945)	-	(5,195)
Increase/(Decrease) in current liabilities				
Accounts payable	(4,828)	(6,135)	(7,290)	47,537
Accrued wages	(458)	8,709	-	491
Compensated absences	(6,177)	2,160	-	1,595
Refundable deposits	-	-	-	-
Due to other funds	175,000	225,000	-	-
Intergovernmental payable	(8,691)	(8,105)	-	(1,283)
Retainage payable	-	6,092	-	-
Net Pension Liability	10,623	12,746	-	1,823
Deferred Inflows of Resources - Pension	8,262	9,914	-	1,417
Net cash flows from operating activities	<u>\$ 593,416</u>	<u>\$ 1,535,176</u>	<u>\$ (22,432)</u>	<u>\$ 170,368</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 487,929	\$ 27,640	\$ 6,470,054	\$ 1,048,807
894	1,010	71,207	-
(321,967)	(9,098)	(2,203,115)	-
(35,739)	-	(1,772,479)	(1,075,998)
(22,723)	(18,201)	(179,394)	-
<u>108,394</u>	<u>1,351</u>	<u>2,386,273</u>	<u>(27,191)</u>
-	-	165,000	-
-	-	100,000	-
-	-	<u>265,000</u>	-
(4,644)	-	(1,888,883)	-
3,750	-	174,693	-
-	-	(492,616)	-
-	-	(139,626)	-
<u>(894)</u>	<u>-</u>	<u>(2,346,432)</u>	<u>-</u>
-	-	40	-
-	-	<u>40</u>	-
107,500	1,351	304,881	(27,191)
339,442	200,624	4,100,303	531,766
<u>\$ 446,942</u>	<u>\$ 201,975</u>	<u>\$ 4,405,184</u>	<u>\$ 504,575</u>
\$ 75,407	\$ (1,145)	\$ 893,242	\$ (45,897)
30,676	806	1,199,786	-
12,003	-	16,206	-
(44,780)	-	(101,683)	-
1,205	(78)	(7,789)	(56,252)
-	-	(47,797)	-
(20,758)	(425)	(90,928)	-
1,129	-	30,413	-
(874)	261	8,129	-
25,627	-	23,205	-
-	1,745	1,745	-
-	-	400,000	-
(4,472)	(108)	(22,659)	74,958
-	-	6,092	-
31,877	166	57,235	-
1,354	129	21,076	-
<u>\$ 108,394</u>	<u>\$ 1,351</u>	<u>\$ 2,386,273</u>	<u>\$ (27,191)</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2015

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 20,894	\$ 116,949
Cash in segregated account	-	62,056
Investments	60,000	-
Total assets	80,894	179,005
Liabilities		
Deposits held and due to others	-	116,949
Undistributed assets	-	62,056
Total liabilities	-	179,005
Net Position		
Net position held in trust	\$ 80,894	\$ -

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 1,440
Total additions	<u>1,440</u>
Deductions	
Endowments	697
Total deductions	<u>697</u>
Change in net position	743
Net position at beginning of year	80,151
Net position at end of year	<u>\$ 80,894</u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

The *ambulance fund* accounts for the City's ambulance activities.

Additionally, the government reports the following fund types:

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deposits and Investments

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

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

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

D. Receivables and Payables

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

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

E. Inventories and Prepaid Items

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

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

F. Capital Assets and Depreciation

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets and Depreciation (Continued)

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

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenues include delinquent property taxes, income taxes, charges for services, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported on the government-wide and proprietary fund statements of net position (See Note 8).

H. Pensions

For purposes of measuring the net pension asset and net pension liability, deferred outflows of resources of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

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

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

J. Long-Term Obligations

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

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

K. Fund Balance

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

L. Interfund Transactions

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

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

M. Estimates

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

N. Net Position

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balances

	General Fund	Street Department Fund
GAAP basis	\$ 117,979	\$ 163,202
Parks and Recreation Change	(4,087)	-
Revenue accruals	762,120	1,974
Expenditure accruals	(982,300)	(84,072)
Other Financing Sources	-	(28,000)
Encumbrances	(443,172)	(59,588)
Budget basis	\$ (549,460)	\$ (6,484)

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$2,836,437 and the bank balance was \$2,899,001. Of the bank balance, \$536,807 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments — As of December 31, 2015, the City had \$9,551,033 invested in negotiable certificates of deposit.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less. At December 31, 2015, the market value of negotiable certificates of deposit maturing in calendar years 2016, 2017, 2018, 2019 and 2020 were \$875,120, \$1,990,532, \$2,481,789, \$2,233,134 and \$1,970,458, respectively.

Credit Risk. The City's negotiable certificates of deposit are unrated. The City has no investment policy that addresses credit risk.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5 - TAXES

Property Taxes

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

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

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2015. The assessed valuations of the City for tax year 2014, which were used to collect taxes in calendar year 2015, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$ 201,571,080	96%
Public Utility	8,920,690	4%
Total Assessed Value	<u>\$ 210,491,770</u>	

Income Taxes

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2015, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 8,008,480	\$ 19,704	\$ -	\$ -	\$ 8,028,184
Construction in Progress	18,441	88,303	-	(106,744)	-
Total Non-depreciated assets	<u>8,026,921</u>	<u>108,007</u>	<u>-</u>	<u>(106,744)</u>	<u>8,028,184</u>
Capital assets, being depreciated:					
Land Improvements	5,812,626	-	-	-	5,812,626
Buildings	4,917,293	3,124	-	-	4,920,417
Building Components	246,253	-	-	25,200	271,453
Equipment	2,519,057	156,841	(15,461)	33,480	2,693,917
Furniture	260,285	5,471	-	-	265,756
Vehicles	3,305,547	87,652	(40,773)	(53,226)	3,299,200
Infrastructure	18,254,908	563,671	-	81,544	18,900,123
Total depreciated assets	<u>35,315,969</u>	<u>816,759</u>	<u>(56,234)</u>	<u>86,998</u>	<u>36,163,492</u>
Total capital assets	<u>43,342,890</u>	<u>924,766</u>	<u>(56,234)</u>	<u>(19,746)</u>	<u>44,191,676</u>
Less accumulated depreciation for:					
Land Improvements	308,763	63,941	-	-	372,704
Buildings	2,328,034	73,568	-	-	2,401,602
Building Components	13,448	15,261	-	-	28,709
Equipment	1,810,492	96,150	(13,589)	30,201	1,923,254
Furniture	209,190	6,835	-	-	216,025
Vehicles	2,075,152	139,049	(36,648)	(47,898)	2,129,655
Infrastructure	8,951,395	604,647	-	-	9,556,042
Total accumulated depreciation	<u>15,696,474</u>	<u>999,451</u>	<u>(50,237)</u>	<u>(17,697)</u>	<u>16,627,991</u>
Total depreciable assets, net	<u>19,619,495</u>	<u>(182,692)</u>	<u>(5,997)</u>	<u>104,695</u>	<u>19,535,501</u>
Total capital assets, net	<u>\$ 27,646,416</u>	<u>\$ (74,685)</u>	<u>\$ (5,997)</u>	<u>\$ (2,049)</u>	<u>\$ 27,563,685</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 74,657
Health	4,431
Judicial	20,300
Legislative and Executive	90,799
Public Safety	144,052
Public Works	57,300
Transportation	607,912
Total	<u>\$ 999,451</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2015, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 1,784,949	\$ -	\$ -	\$ -	\$ 1,784,949
Construction in Progress	-	-	-	-	-
Total Non-depreciated assets	1,784,949	-	-	-	1,784,949
Capital assets, being depreciated:					
Land Improvements	8,187,250	-	-	-	8,187,250
Buildings	13,876,033	-	-	-	13,876,033
Building Components	103,314	27,691	-	-	131,005
Equipment	5,237,988	482,171	(70,226)	(33,480)	5,616,453
Furniture	83,167	12,577	-	-	95,744
Vehicles	1,223,170	488,439	(9,500)	53,226	1,755,335
Infrastructure	18,938,709	873,005	-	-	19,811,714
Total assets being depreciated	47,649,631	1,883,883	(79,726)	19,746	49,473,534
Total capital assets	49,434,580	1,883,883	(79,726)	19,746	51,258,483
Less accumulated depreciation for:					
Land Improvements	558,567	33,364	-	-	591,931
Buildings	3,651,207	190,380	-	-	3,841,587
Building Components	7,579	6,753	-	-	14,332
Equipment	2,561,433	250,111	(54,970)	(30,201)	2,726,373
Furniture	23,539	6,565	-	-	30,104
Vehicles	780,837	127,092	(8,550)	47,898	947,277
Construction in Progress	-	-	-	-	-
Infrastructure	5,327,047	585,521	-	-	5,912,568
Total accumulated depreciation	12,910,209	1,199,786	(63,520)	17,697	14,064,172
Total depreciable assets, net	34,739,422	684,097	(16,206)	2,049	35,409,362
Total capital assets, net	\$ 36,524,371	\$ 684,097	\$ (16,206)	\$ 2,049	\$ 37,194,311

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

Water	\$ 438,872
Sewer	576,385
Airport	132,508
Garbage	20,539
Ambulance	30,676
Other Nonmajor	806
Total	\$ 1,199,786

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Restated Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
Tax Increment Financing Bond:					
Gunttowntown Road, 4.50/6.00%, 2015	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
2010 Energy Project Bonds, 2-3.75%, 2027	489,651	-	(31,683)	457,968	32,403
OPWC Street Resurfacing, 0%, 2019	135,000	-	(30,000)	105,000	30,000
OPWC Roadway Improvement	222,905	-	(11,732)	211,173	11,732
OPWC Whispering Pines Resurfacing, 0%, 2036	-	239,291	-	239,291	5,982
Huntington National Bank Loan, 1.60%, 2017	-	78,582	(26,486)	52,096	25,841
Unamortized premium on sale of bonds	5,426	-	(1,720)	3,706	-
Compensated Absences Payable	1,140,157	279,417	(218,808)	1,200,766	475,115
Net Pension Liability	7,842,298	419,861	-	8,262,159	-
Total Governmental Activities	9,910,437	1,017,151	(395,429)	10,532,159	581,073
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Airport Improvement, 2.00/4.80%, 2023	1,120,000	-	(1,120,000)	-	-
Airport Improvement Refunding, 2.57%, 2023	-	1,126,000	(105,667)	1,020,333	110,667
OPWC Waterline Replacement, 0%, 2025	7,477	-	(712)	6,765	712
OPWC Storm Water Drainage, 0%, 2028	113,400	-	(8,400)	105,000	8,400
OPWC Wastewater Treatment Plant Upgrade, 0%, 2031	246,840	-	(14,520)	232,320	14,520
2010 New Project Bonds 2-3%, 2015	175,000	-	(175,000)	-	-
2010 Energy Project Bonds 2-3%, 2027	2,910,349	-	(188,317)	2,722,032	192,597
Unamortized premium on sale of bonds	26,616	-	(4,595)	22,021	-
Compensated Absences Payable	322,701	89,174	(65,969)	345,906	113,333
Net Pension Liability	1,645,934	57,235	-	1,703,169	-
Total Business-Type Activities	6,568,317	1,272,409	(1,683,180)	6,157,546	440,229
Total Long-Term Obligations	\$ 16,478,754	\$ 2,289,560	\$ (2,078,609)	\$ 16,689,705	\$ 1,021,302

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

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

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2015 (See Note 10). The compensated absences will be paid from the funds in which the employees' salaries are paid.

During 2012, the City entered into a loan arrangement through the Ohio Public Works Commission (OPWC) to fund various roadway improvements. The loan amount was in the amount of \$234,637.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

During 2015, the City entered into two loan arrangements through the OPWC and Huntington Bank. The loan through OPWC was for the funding of the Whispering Pines subdivision resurfacing. The Huntington Bank loan was for the purchase of new vehicles. The loan amounts for the OPWC and Huntington Bank loans were in the amount of \$239,291 and \$78,582, respectively.

Also in 2015, the City issued \$1,126,000 in Airport Improvement Refunding Bonds for the purpose of refinancing the outstanding 2004 Airport Improvement General Obligation Bonds. The bonds will be repaid from the Airport fund and have interest rate of 2.57 percent. As a result of this refunding, the City reduced its total debt requirements by \$111,811.

A summary of the City's future debt service requirements as of December 31, 2015 were as follows:

Year	Principal	Interest
Governmental Activities:		
2016	105,958	15,204
2017	113,075	14,061
2018	87,541	12,813
2019	73,981	11,882
2020	59,701	10,824
2021-2025	316,503	36,687
2026-2030	207,772	4,995
2031-2035	95,015	-
2036-2040	5,982	-
	<u>\$ 1,065,528</u>	<u>\$ 106,466</u>
Business-Type Activities:		
2016	326,896	111,635
2017	331,176	104,455
2018	340,455	96,688
2019	359,016	88,188
2020	368,295	78,664
2021-2025	1,721,783	240,091
2025-2030	624,309	29,687
2031-2035	14,520	-
	<u>\$ 4,086,450</u>	<u>\$ 749,408</u>

CITY OF BELLEFONTAINE, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$414,567 for 2015. Of this amount, \$21,501 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$569,894 for 2015. Of this amount \$28,922 is reported as an intergovernmental payable.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension asset and net pension liability for OPERS were measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension (Asset)/Liability	\$3,204,278	(\$10,163)	\$6,761,050	\$9,955,165
Proportion of the Net Pension (Asset)/Liability	0.026567%	0.0263970%	0.1305117%	
Pension Expense	\$349,845	\$6,754	\$659,509	\$1,016,108

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$170,971	\$620	\$291,395	\$462,986
City contributions subsequent to the measurement date				984,461
Total Deferred Outflows of Resources	\$170,971	\$620	\$291,395	\$1,447,447
Deferred Inflows of Resources				
Differences between expected and actual experience	\$56,292	\$3,101	\$0	\$59,393

\$984,461 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2016	\$ 16,769	\$ (214)	\$ 72,849	\$ 89,404
2017	16,769	(214)	72,849	89,404
2018	38,398	(214)	72,849	111,033
2019	42,743	(214)	72,848	115,377
2020	-	(369)	-	(369)
Thereafter	-	(1,256)	-	(1,256)
Total	\$ 114,679	\$ (2,481)	\$ 291,395	\$ 403,593

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled male mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	\$5,894,952	\$3,204,278	\$938,081
Combined Plan	\$1,320	(\$10,163)	(\$19,270)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$9,351,555	\$6,761,050	\$456,768

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the City contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPERS maintains three health care trusts. The two main cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans.

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPER' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2015 was 4.5%

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2015, 2014, and 2013 were \$69,095, \$68,376, and \$33,373, respectively. The full amount has been contributed for 2014 and 2013; 95 percent has been contributed for 2015 with the remainder being reported as a fund liability.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to the health care plan was 0.50% of covered payroll from January 1, 2015 thru December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F to fund post-employment benefits for the years ending December 31, 2015, 2014, and 2013 were \$13,601, \$13,174 and \$87,420, respectively. The full amount has been contributed for 2014 and 2013; 95 percent has been contributed for 2015 with the remainder being reported as a fund liability.

NOTE 10 - EMPLOYEE BENEFITS

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

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

At December 31, 2015, the City's liability for accumulated unpaid sick leave was \$626,791. A liability of \$484,340 has been recognized in the governmental activities and \$142,451 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$919,882. A liability of \$716,426 has been recognized in the governmental activities and \$203,456 has been recognized in the business-type activities.

NOTE 11 – CONTINGENT LIABILITIES

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 – INTERFUND TRANSFERS/BALANCES

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 360,520
Other Governmental Funds	195,520	-
Airport Fund	165,000	-
	<u>\$ 360,520</u>	<u>\$ 360,520</u>

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code.

In addition, there were several capital asset transfers during the year, as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities	\$ 3,050	\$ 5,099
Water Fund	19,551	-
Sewer Fund	-	19,577
Airport Fund	2,075	-
	<u>\$ 24,676</u>	<u>\$ 24,676</u>

Interfund balances at December 31, 2015 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
General Fund	\$ -	\$ 550,000	\$ -	\$ 550,000
Capital Improvement	196,000	-	(28,000)	168,000
Street Department	(196,000)	-	28,000	(168,000)
Reconstruction Improvement	(500,000)	-	100,000	(400,000)
Police and Fire Trust Fund	-	(150,000)	-	(150,000)
Total Governmental Activities	<u>(500,000)</u>	<u>400,000</u>	<u>100,000</u>	<u>-</u>
Water Fund	-	(175,000)	-	(175,000)
Sewer Fund	500,000	(225,000)	(100,000)	175,000
Total Business-Type Activities	<u>\$ 500,000</u>	<u>\$ (400,000)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>

The advance from the capital improvement fund to the street department fund was made to help finance projects due to insufficient funds. When the City begins charging for storm water these monies will be repaid. The advance from the sewer fund to the reconstruction Improvement fund were made to provide funding for the road project until other financing could be secured by the City. Advances not expected to be repaid within one year will be recorded as Advances to/from Other Funds. Those expected to be repaid within one year will be recorded as Due to/from Other Funds. Balance due the General Fund from the Police and Fire Trust Fund, Water Fund and Sewer Fund represent 2015 cost reimbursements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 13 - CONDUIT DEBT OBLIGATIONS

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

The original issuance for the Revenue Bonds in 2006 was \$15,000,000. As of December 31, 2015, the revenue bonds outstanding were \$5,950,000.

NOTE 14 – LIABILITY INSURANCE

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

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

NOTE 15 – ACCOUNTABILITY

Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2015:

<u>Governmental Fund</u>	<u>Deficit</u>
<i>Major fund</i>	
Reconstruction Improvement Fund	\$ (236,364)

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balance in this fund resulted from adjustments for accrued liabilities. The general fund is responsible for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

In addition, the Ambulance Fund met the criteria for major fund reporting in 2015.

The implementation of these pronouncements and the Ambulance Fund reclassification had the following effects on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities	Water	Sewer	Airport
Net position December 31, 2014	\$34,377,353	\$37,383,853	\$10,426,836	\$15,735,058	\$9,148,061
Adjustments:					
Net Pension Liability	(7,839,528)	(1,645,934)	(459,686)	(551,598)	-
Deferred Outflow - Payments Subsequent to Measurement Date	<u>762,502</u>	<u>187,497</u>	<u>57,558</u>	<u>69,067</u>	<u>-</u>
Restated Net Position December 31, 2014	<u>\$27,300,327</u>	<u>\$35,925,416</u>	<u>\$10,024,708</u>	<u>\$15,252,527</u>	<u>\$9,148,061</u>

	Garbage	Ambulance	Nonmajor Enterprise	Total Enterprise
Net position December 31, 2014	\$1,006,509	\$0	\$1,067,389	\$37,383,853
Adjustments:				
Net Pension Liability	(78,862)	(548,630)	(7,158)	(1,645,934)
Net position Reclassification	-	817,159	(817,159)	-
Deferred Outflow - Payments Subsequent to Measurement Date	<u>9,874</u>	<u>50,102</u>	<u>896</u>	<u>187,497</u>
Restated Net Position December 31, 2014	<u>\$937,521</u>	<u>\$318,631</u>	<u>\$243,968</u>	<u>\$35,925,416</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

City of Bellefontaine, Ohio
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net Pension (Asset)/Liability
 Ohio Public Employees Retirement System

Last Two Years (1)

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension (Asset)/Liability		
Traditional Plan	0.026567%	0.026567%
Combined Plan	0.026397%	0.026397%
City's Proportionate Share of the Net Pension		
Traditional Plan	\$ 3,204,278	\$ 3,131,903
Combined Plan	(10,163)	(2,770)
City's Covered-Employee Payroll	\$ 3,365,133	\$ 3,338,738
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	94.92%	93.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
Traditional Plan	86.45%	86.36%
Combined Plan	114.83%	104.56%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

City of Bellefontaine, Ohio
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund

Last Two Years (1)

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.1305117%	0.1305117%
City's Proportionate Share of the Net Pension Liability	\$ 6,761,050	\$ 6,356,329
City's Covered-Employee Payroll	\$ 2,620,598	\$ 2,483,471
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	258.00%	255.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

City of Bellefontaine, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Public Employees Retirement System

Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 414,567	\$ 403,816	\$ 434,036
Contributions in relation to the contractually required contribution	\$ (414,567)	\$ (403,816)	\$ (434,036)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

City of Bellefontaine, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Police and Fire Pension Fund

Last Four Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 569,894	\$ 546,183	\$ 444,932	\$ 352,766
Contributions in relation to the contractually required contribution	\$ (569,894)	\$ (546,183)	\$ (444,932)	\$ (352,766)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471	\$ 2,416,073
Contributions as a percentage of covered-employee payroll	20.95%	20.84%	17.92%	14.60%

(1) Information prior to 2012 is not available.

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Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, 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 Bellefontaine, Logan County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 22, 2016. We noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2016



Dave Yost • Auditor of State

CITY OF BELLEFONTAINE

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2016**