



Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE
LOGAN COUNTY
DECEMBER 31, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual General Fund.....	22
Street Department Fund.....	23
Statement of Net Position Proprietary Funds.....	24
Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds.....	26
Statement of Cash Flows Proprietary Funds.....	28
Statement of Fiduciary Net Position Fiduciary Funds.....	30
Statement of Change in Fiduciary Net Position Fiduciary Fund.....	31
Notes to the Basic Financial Statements.....	33

**CITY OF BELLEFONTAINE
LOGAN COUNTY
DECEMBER 31, 2016**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of City's Proportionate Share of the Net Pension (Asset)/Liability (Ohio Public Employees Retirement System)	65
Schedule of City's Proportionate Share of the Net Pension Liability (Ohio Police and Fire Pension Fund)	66
Schedule of City Contributions (Ohio Public Employees Retirement System)	67
Schedule of City Contributions (Ohio Police and Fire Pension Fund)	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69



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, 2016, 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, 2016, 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.

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 October 27, 2017, 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

October 27, 2017

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016. 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 \$66.0 million (net position). Of this amount, \$3.4 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 \$1.8 million during the year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$8.3 million, an increase of \$917,778 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.5 million, or 43 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 2016?" 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
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016
(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 2016 compared to 2015.

**TABLE 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 9,981,129	\$ 10,912,224	\$ 6,162,427	\$ 7,094,541	\$ 16,143,556	\$ 18,006,765
Capital assets	27,563,685	28,101,819	37,194,311	36,917,789	64,757,996	65,019,608
Net pension asset	10,163	13,873	-	-	10,163	13,873
Total Assets	37,554,977	39,027,916	43,356,738	44,012,330	80,911,715	83,040,246
Deferred Outflows of Resources	1,169,022	3,099,837	278,425	807,166	1,447,447	3,907,003
Current liabilities	525,299	302,821	434,349	394,933	959,648	697,754
Long-term liabilities	2,270,000	2,186,666	4,454,377	4,175,546	6,724,377	6,362,212
Net pension liability	8,262,159	10,886,727	1,703,169	2,289,498	9,965,328	13,176,225
Total Liabilities	11,057,458	13,376,214	6,591,895	6,859,977	17,649,353	20,236,191
Deferred Inflows of Resources	555,717	671,117	21,076	83,878	576,793	754,995
Net Position:						
Net Investment in capital assets	26,498,157	27,069,722	33,107,861	33,158,235	59,606,018	60,227,957
Restricted	2,050,533	2,315,617	-	-	2,050,533	2,315,617
Unrestricted	(1,437,866)	(1,304,917)	3,914,331	4,717,406	2,476,465	3,412,489
Total Net Position	\$ 27,110,824	\$ 28,080,422	\$ 37,022,192	\$ 37,875,641	\$ 64,133,016	\$ 65,956,063

In the Government Activities, current and other assets increased significantly, primarily as a result of an increase in income taxes receivable related to improved economic conditions.

In the Business-type Activities, long-term liabilities decreased significantly, primarily due to principal payments of \$326,896 during the year.

Net pension liability and related deferred outflows of resources and deferred inflows of resources all increased significantly in comparison with the prior fiscal year-end. These increases are primarily the result of lower than expected returns on pension plan investments, as reported by the pension systems, offset by a decrease in the City's proportionate shares of the pension systems unfunded liabilities.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

By far the largest portion of the City's net position (91 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.

Table 2 shows the changes in net position for the year ended December 31, 2016 and 2015.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Program revenues:						
Charges for services	\$ 1,193,682	\$ 1,340,873	\$ 6,553,998	\$ 6,570,408	\$ 7,747,680	\$ 7,911,281
Grants and contributions	1,243,850	1,833,246	174,693	-	1,418,543	1,833,246
General revenues:						
Property taxes	587,981	595,535	-	-	587,981	595,535
Income taxes	5,770,370	6,518,320	-	-	5,770,370	6,518,320
Other local taxes	56,027	59,402	-	-	56,027	59,402
Unrestricted grants	252,282	210,618	-	-	252,282	210,618
Investment earnings	66,160	209,985	40	-	66,200	209,985
Other	191,771	257,574	69,631	134,638	261,402	392,212
Total revenues	<u>9,362,123</u>	<u>11,025,553</u>	<u>6,798,362</u>	<u>6,705,046</u>	<u>16,160,485</u>	<u>17,730,599</u>
Expenses:						
General government	2,114,943	2,544,854	-	-	2,114,943	2,544,854
Public safety	4,556,678	5,003,993	-	-	4,556,678	5,003,993
Public works	58,094	194,386	-	-	58,094	194,386
Health	260,607	165,236	-	-	260,607	165,236
Conservation and recreation	663,770	668,473	-	-	663,770	668,473
Economic development	408,083	95,763	-	-	408,083	95,763
Transportation	1,304,203	1,256,209	-	-	1,304,203	1,256,209
Interest on long-term debt	18,199	14,327	-	-	18,199	14,327
Water	-	-	2,087,113	2,021,645	2,087,113	2,021,645
Sewer	-	-	2,114,497	2,318,118	2,114,497	2,318,118
Airport	-	-	304,356	280,055	304,356	280,055
Garbage	-	-	893,993	889,828	893,993	889,828
Ambulance	-	-	458,196	447,209	458,196	447,209
Other	-	-	10,480	7,456	10,480	7,456
Total expenses	<u>9,384,577</u>	<u>9,943,241</u>	<u>5,868,635</u>	<u>5,964,311</u>	<u>15,253,212</u>	<u>15,907,552</u>
Increase/Decrease in net position before transfers	(22,454)	1,082,312	929,727	740,735	907,273	1,823,047
Transfers	(167,049)	(112,714)	167,049	112,714	-	-
Change in net position	<u>\$ (189,503)</u>	<u>\$ 969,598</u>	<u>\$ 1,096,776</u>	<u>\$ 853,449</u>	<u>\$ 907,273</u>	<u>\$ 1,823,047</u>
Net position, beginning	27,300,327	27,110,824	35,925,416	37,022,192	63,225,743	64,133,016
Net position, ending	<u>\$ 27,110,824</u>	<u>\$ 28,080,422</u>	<u>\$ 37,022,192</u>	<u>\$ 37,875,641</u>	<u>\$ 64,133,016</u>	<u>\$ 65,956,063</u>

In the governmental activities, income taxes increased significantly in comparison with the prior year. This increase is the result of improved economic conditions. In addition, total expenses increased significantly in comparison with the prior year. This increase is primarily the result of an increase in pension expense, as reported by the pension systems.

In business-type activities, revenues and expenses remained fairly consistent with the prior year.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	
	2015	2016	2015	2016
Governmental Activities:				
General government	\$ (2,114,943)	\$ (2,544,854)	\$ (1,117,638)	\$ (1,425,016)
Public safety	(4,556,678)	(5,003,993)	(4,465,779)	(4,746,662)
Public works	(58,094)	(194,386)	(58,094)	(194,386)
Health	(260,607)	(165,236)	(207,609)	(115,028)
Conservation and recreation	(663,770)	(668,473)	(488,672)	(491,869)
Economic development	(408,083)	(95,763)	(78,747)	(63,983)
Transportation	(1,304,203)	(1,256,209)	(512,307)	282,149
Interest on long-term debt	(18,199)	(14,327)	(18,199)	(14,327)
Total Governmental Activities	(9,384,577)	(9,943,241)	(6,947,045)	(6,769,122)
Business-Type Activities:				
Water	(2,087,113)	(2,021,645)	48,718	62,734
Sewer	(2,114,497)	(2,318,118)	706,104	483,243
Airport	(304,356)	(280,055)	(29,347)	(148,405)
Garbage	(893,993)	(889,828)	58,473	108,471
Ambulance	(458,196)	(447,209)	78,263	98,059
Other	(10,480)	(7,456)	(2,155)	1,995
Total Business-Type Activities	(5,868,635)	(5,964,311)	860,056	606,097
Grand Total	\$ (15,253,212)	\$ (15,907,552)	\$ (6,086,989)	\$ (6,163,025)

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 \$6.8 million of support.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.3 million, a \$917,778 increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and 2015.

	<u>Fund Balance 12/31/2015</u>	<u>Fund Balance 12/31/2016</u>	<u>Increase (Decrease)</u>
General	\$ 3,068,378	\$ 3,709,498	\$ 641,120
Capital improvements	2,541,796	2,517,776	(24,020)
Reconstruction Improvement	(236,364)	(233,707)	2,657
Street Department	368,213	455,773	87,560
Other Governmental	1,604,676	1,815,137	210,461
Total	<u>\$ 7,346,699</u>	<u>\$ 8,264,477</u>	<u>\$ 917,778</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 \$3.5 million, or 43 percent of total general fund expenditures. The fund balance of the City's general fund increased \$641,120 during the current year. This increase is the result of an increase in income tax revenue 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 \$24,020 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 \$2,657 during the year. This increase is a result of grant and interest revenues exceeding capital outlay expenditures in the fund.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Street Department Fund

The Street Department Fund accounts for the accumulation of financial resources to be used for the construction and maintenance of city streets. The street department funds' fund balance increased \$87,560 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 increased \$210,461 in comparison with the prior year. This increase represents the amount in which program revenues, proceeds from the loan with Logan County, and transfers from the General Fund exceeded program expenditures exceeded during the year.

Proprietary Funds

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

Total net position in the Water Fund was \$10.3 million at year-end, an increase of \$162,527 in comparison with the prior year. This increase primarily consists of operating income of \$196,834.

Total net position in the Sewer Fund was \$16.4 million at year-end, an increase of \$475,957 in comparison with the prior year. This increase primarily consists of operating income of \$529,184.

Total net position in the Airport Fund was \$9.3 million at year-end, a decrease of \$28,405 in comparison with the prior year. This decrease primarily consists of an operating loss of \$120,627 during the year, offset by transfers in from the General Fund totaling \$120,000.

Total net position in the Garbage Fund was \$1.2 million at year-end, an increase of \$143,216 in comparison with the prior year. This increase represents operating income.

Total net position in the Ambulance Fund was \$495,947 at year-end, an increase of \$98,159 in comparison with the prior year. This increase represents operating income.

Total net position in the Nonmajor Enterprise Funds at the end of the year amounted to \$244,818, an increase of \$1,995 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 increased \$4,697 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 actual revenues and other financing sources exceeded the final amended revenue estimate by \$583,834. 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 \$381,697. The variance between the final amended appropriations and the original appropriation resolution was insignificant.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2016 totals \$28.1 million (net of accumulated depreciation), an increase of \$538,134 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, building components, equipment, furniture, vehicles, and infrastructure. This increase represents the amount in which current year acquisitions (\$1.5 million) and transfers (\$7,286) exceeded depreciation (\$953,035) and disposals (\$13,728).

The City's investment in capital assets for business-type activities as of December 31, 2016 totals \$36.9 million (net of accumulated depreciation), a decrease of \$276,522 in comparison with the prior year. This decrease represents the amount in which current year depreciation (\$1.2 million), transfers (\$7,286), and disposals (\$13,268) exceeded current year acquisitions (\$993,734).

Detailed information regarding capital asset activity is included in the Note 7 to the basic financial statements.

Debt

At the end of the current year, the City had total debt outstanding of \$4.8 million. Of this amount, \$3.9 million represents bonds backed by the full faith and credit of the City, \$26,255 represents bank loans, and the remaining \$900,730 represents interest free loans.

Detailed information regarding long-term debt is included in Note 8 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, 2016**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 7,951,771	\$ 5,074,591	\$ 13,026,362
Investments	85,900	-	85,900
Receivables:			
Taxes	2,432,941	-	2,432,941
Accounts	31,365	1,556,014	1,587,379
Intergovernmental	412,370	-	412,370
Interest	22,284	-	22,284
Internal balances	(300,000)	300,000	-
Materials and supplies inventory	90,896	151,268	242,164
Prepaid items	184,697	12,668	197,365
Nondepreciable capital assets	8,014,376	2,065,901	10,080,277
Depreciable capital assets, net	20,087,443	34,851,888	54,939,331
Net Pension Asset	13,873	-	13,873
Total assets	39,027,916	44,012,330	83,040,246
Deferred Outflows of Resources			
Pension	3,099,837	807,166	3,907,003
Total Deferred Outflows of Resources	3,099,837	807,166	3,907,003
Liabilities			
Accounts payable	84,413	114,617	199,030
Accrued wages and benefits	94,827	33,145	127,972
Intergovernmental payable	84,518	23,387	107,905
Unearned Revenue	37,611	-	37,611
Interest payable	1,452	8,705	10,157
Retainage payable	-	22,288	22,288
Refundable deposits	-	192,791	192,791
Long-term liabilities			
Due within one year	552,692	448,151	1,000,843
Due in more than one year	1,633,974	3,727,395	5,361,369
Net pension liability	10,886,727	2,289,498	13,176,225
Total liabilities	13,376,214	6,859,977	20,236,191
Deferred Inflows of Resources:			
Property and other local taxes	585,789	-	585,789
Pension	85,328	83,878	169,206
Total deferred inflows of resources	671,117	83,878	754,995
Net Position			
Net investment in capital assets	27,069,722	33,158,235	60,227,957
Restricted for:			
Capital projects	144,990	-	144,990
Street maintenance and repair	702,680	-	702,680
Public safety	181,893	-	181,893
Economic development	83,846	-	83,846
Health	381,831	-	381,831
Judicial	820,377	-	820,377
Unrestricted	(1,304,917)	4,717,406	3,412,489
Total net position	\$ 28,080,422	\$ 37,875,641	\$ 65,956,063

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,544,854	\$ 916,586	\$ 203,252	\$ -
Public safety	5,003,993	161,294	96,037	-
Public works	194,386	-	-	-
Health	165,236	49,608	600	-
Conservation and recreation	668,473	168,604	8,000	-
Economic development	95,763	30,780	1,000	-
Transportation	1,256,209	14,001	555,546	968,811
Interest on long-term debt	14,327	-	-	-
Total governmental activities	9,943,241	1,340,873	864,435	968,811
Business-type Activities:				
Water	2,021,645	2,084,379	-	-
Sewer	2,318,118	2,801,361	-	-
Airport	280,055	131,650	-	-
Garbage	889,828	998,299	-	-
Ambulance	447,209	545,268	-	-
Other	7,456	9,451	-	-
Total business-type activities	5,964,311	6,570,408	-	-
Total government	\$ 15,907,552	\$ 7,911,281	\$ 864,435	\$ 968,811

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
 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
\$ (1,425,016)	\$ -	\$ (1,425,016)
(4,746,662)	-	(4,746,662)
(194,386)	-	(194,386)
(115,028)	-	(115,028)
(491,869)	-	(491,869)
(63,983)	-	(63,983)
282,149	-	282,149
(14,327)	-	(14,327)
<u>(6,769,122)</u>	<u>-</u>	<u>(6,769,122)</u>
-	62,734	62,734
-	483,243	483,243
-	(148,405)	(148,405)
-	108,471	108,471
-	98,059	98,059
-	1,995	1,995
<u>-</u>	<u>606,097</u>	<u>606,097</u>
<u>(6,769,122)</u>	<u>606,097</u>	<u>(6,163,025)</u>
595,535	-	595,535
6,518,320	-	6,518,320
59,402	-	59,402
210,618	-	210,618
209,985	-	209,985
257,574	134,638	392,212
(112,714)	112,714	-
<u>7,738,720</u>	<u>247,352</u>	<u>7,986,072</u>
969,598	853,449	1,823,047
<u>27,110,824</u>	<u>37,022,192</u>	<u>64,133,016</u>
<u>\$ 28,080,422</u>	<u>\$ 37,875,641</u>	<u>\$ 65,956,063</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2016

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Assets:				
Pooled cash and cash equivalents	\$ 2,772,392	\$ 2,377,776	\$ 66,293	\$ 428,362
Investments	-	-	-	-
Receivables:				
Taxes	2,249,378	-	-	-
Accounts	19,465	-	-	-
Intergovernmental	117,938	-	-	256,845
Interest	22,284	-	-	-
Prepaid items	26,583	-	-	2,294
Materials and supplies inventory	-	-	-	90,896
Advances to other funds	-	140,000	-	-
Total assets	\$ 5,208,040	\$ 2,517,776	\$ 66,293	\$ 778,397
Liabilities:				
Accounts payable	\$ 68,066	\$ -	\$ -	\$ 5,819
Accrued wages and benefits	89,285	-	-	2,985
Intergovernmental payable	80,060	-	-	2,590
Unearned revenue	27,967	-	-	-
Advances from other funds	-	-	300,000	140,000
Total liabilities	265,378	-	300,000	151,394
Deferred Inflows of Resources:				
Unavailable revenue	815,919	-	-	171,230
Property and other local taxes	417,245	-	-	-
Total deferred inflows of resources	1,233,164	-	-	171,230
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	90,896
Prepaid items	26,583	-	-	2,294
Advances	-	140,000	-	-
Restricted for:				
Capital projects	-	-	-	-
Street maintenance and repair	-	-	-	362,583
Public safety	-	-	-	-
Economic development	-	-	-	-
Health	-	-	-	-
Judicial	-	-	-	-
Conservation and recreation	-	-	-	-
Assigned for:				
Conservation and recreation	75,877	-	-	-
Capital projects	-	2,377,776	-	-
General government	120,443	-	-	-
Judicial	139	-	-	-
Public safety	25,203	-	-	-
Public works	294	-	-	-
Transportation	1,514	-	-	-
Unassigned	3,459,445	-	(233,707)	-
Total fund balances	3,709,498	2,517,776	(233,707)	455,773
Total liabilities, deferred inflows, and fund balances	\$ 5,208,040	\$ 2,517,776	\$ 66,293	\$ 778,397

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,725,877	\$ 7,370,700
85,900	85,900
183,563	2,432,941
11,900	31,365
37,587	412,370
-	22,284
1,248	30,125
-	90,896
-	140,000
<u>\$ 2,046,075</u>	<u>\$ 10,616,581</u>
\$ 9,179	\$ 83,064
2,557	94,827
1,868	84,518
9,644	37,611
-	440,000
<u>23,248</u>	<u>740,020</u>
39,146	1,026,295
168,544	585,789
<u>207,690</u>	<u>1,612,084</u>
-	90,896
1,248	30,125
-	140,000
90,176	90,176
61,794	424,377
173,339	173,339
83,846	83,846
374,630	374,630
864,547	864,547
7,550	7,550
4,384	80,261
153,623	2,531,399
-	120,443
-	139
-	25,203
-	294
-	1,514
-	3,225,738
<u>1,815,137</u>	<u>8,264,477</u>
<u>\$ 2,046,075</u>	<u>\$ 10,616,581</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, 2016

Total Governmental Fund Balances	\$ 8,264,477
<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.	28,101,819
The net pension asset is not a financial resource and therefore is not reported in the funds.	13,873
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent property taxes receivable	56,746
Income taxes receivable	651,715
Accounts receivable	26,590
Intergovernmental receivable	278,797
Interest receivable	12,447
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	(3,200)
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.	734,294
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	3,099,837
Deferred inflows - pension	(85,328)
Net pension liability	(10,886,727)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,151,369)
General obligation debt	(1,032,097)
Accrued interest payable	(1,452)
Net Position of Governmental Activities	\$ 28,080,422

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, 2016

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Revenues:				
Property taxes	\$ 430,231	\$ -	\$ -	\$ -
Income taxes	6,617,054	-	-	-
Other local taxes	27,500	-	-	-
Charges for services	333,189	-	-	-
Licenses, permits and fees	95,311	-	-	-
Fines and forfeitures	652,069	-	-	-
Intergovernmental	226,990	-	968,811	511,905
Interest	176,613	23,694	1,269	3,787
Rent	-	-	-	-
Donations and contributions	-	-	-	-
Refunds and reimbursements	22,050	-	-	13,975
Other	88,643	-	-	26
Total revenues	8,669,650	23,694	970,080	529,693
Expenditures:				
General government:				
Legislative and executive	1,511,260	-	-	-
Judicial	672,426	-	-	-
Public safety	4,361,350	-	-	-
Public works	1,079	-	-	-
Health	110,298	-	-	-
Conservation and recreation	575,727	-	-	-
Economic development	68,031	-	-	-
Transportation	307,756	-	-	442,133
Capital outlay	130,647	-	967,423	-
Debt service:				
Principal retirement	32,403	47,714	-	-
Interest and fiscal charges	14,103	-	-	-
Total expenditures	7,785,080	47,714	967,423	442,133
Excess (Deficiency) of revenues over (under) expenditures	884,570	(24,020)	2,657	87,560
Other financing sources (uses):				
Proceeds from loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(243,450)	-	-	-
Total other financing sources (uses)	(243,450)	-	-	-
Net Change in fund balances	641,120	(24,020)	2,657	87,560
Fund balance at beginning of year	3,068,378	2,541,796	(236,364)	368,213
Fund balance at end of year	\$ 3,709,498	\$ 2,517,776	\$ (233,707)	\$ 455,773

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 164,311	\$ 594,542
-	6,617,054
31,902	59,402
31,297	364,486
152,165	247,476
134,517	786,586
271,563	1,979,269
3,666	209,029
16,945	16,945
67,645	67,645
30,780	66,805
6,865	95,534
<u>911,656</u>	<u>11,104,773</u>
-	1,511,260
324,298	996,724
219,104	4,580,454
-	1,079
48,063	158,361
27,055	602,782
27,732	95,763
27,696	777,585
196,282	1,294,352
50,017	130,134
1,101	15,204
<u>921,348</u>	<u>10,163,698</u>
(9,692)	941,075
96,703	96,703
123,450	123,450
-	(243,450)
<u>220,153</u>	<u>(23,297)</u>
210,461	917,778
1,604,676	7,346,699
<u>\$ 1,815,137</u>	<u>\$ 8,264,477</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 917,778
<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	1,497,611
Depreciation	(953,035)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.	(6,442)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	993
Income taxes	(98,734)
Charges for services	1,150
Intergovernmental revenues	(3,050)
Interest revenues	956
Licenses, permits and fees	19,465
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.	130,134
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	792,154
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,529,208)
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	(96,703)
Amortization of premium on bonds	506
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.	246,255
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	49,397
Accrued interest	371
Change in Net Position of Governmental Activities	\$ 969,598

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, 2016

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 436,400	\$ 436,400	\$ 431,715	\$ (4,685)
Income taxes	5,935,000	5,935,000	5,693,237	(241,763)
Other local taxes	15,000	15,000	27,500	12,500
Charges for services	32,500	32,500	209,497	176,997
Licenses, permits and fees	91,700	91,700	113,547	21,847
Fines and forfeitures	669,000	669,000	684,907	15,907
Intergovernmental	274,800	274,800	229,206	(45,594)
Interest	55,000	55,000	103,232	48,232
Refunds and reimbursements	600,000	600,000	1,122,050	522,050
Other	300	300	88,643	88,343
Total revenues	<u>8,109,700</u>	<u>8,109,700</u>	<u>8,703,534</u>	<u>593,834</u>
Expenditures				
General government:				
Legislative and executive	1,586,339	1,760,339	1,621,962	138,377
Judicial	754,752	754,752	684,760	69,992
Public safety	4,431,641	4,653,141	4,623,412	29,729
Public works	428,303	428,303	414,378	13,925
Health	110,298	110,298	110,298	-
Economic development	68,700	68,700	68,031	669
Transportation	342,268	342,268	313,652	28,616
Capital outlay	114,752	168,752	178,504	(9,752)
Debt service:				
Principal retirement	32,403	32,403	32,403	-
Interest and fiscal charges	14,370	14,370	14,103	267
Total expenditures	<u>7,883,826</u>	<u>8,333,326</u>	<u>8,061,503</u>	<u>271,823</u>
Excess of Revenues Over/ (Under) Expenditures	225,874	(223,626)	642,031	865,657
Other Financing Sources/(Uses)				
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Transfers out	(805,824)	(845,824)	(735,950)	109,874
Total other financing sources/(uses)	<u>(795,824)</u>	<u>(835,824)</u>	<u>(735,950)</u>	<u>99,874</u>
Net change in fund balance	(569,950)	(1,059,450)	(93,919)	965,531
Fund balances at beginning of year	2,169,014	2,169,014	2,169,014	-
Prior year encumbrances appropriated	443,172	443,172	443,172	-
Fund balances at end of year	<u>\$ 2,042,236</u>	<u>\$ 1,552,736</u>	<u>\$ 2,518,267</u>	<u>\$ 965,531</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, 2016

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 522,000	\$ 522,000	\$ 510,917	\$ (11,083)
Interest	2,800	2,800	3,787	987
Refunds and reimbursements	19,000	19,000	13,975	(5,025)
Other	-	-	26	26
Total revenues	<u>543,800</u>	<u>543,800</u>	<u>528,705</u>	<u>(15,095)</u>
Expenditures				
Transportation	714,137	714,137	488,178	225,959
Total expenditures	<u>714,137</u>	<u>714,137</u>	<u>488,178</u>	<u>225,959</u>
Excess of revenues over/ (under) expenditures	(170,337)	(170,337)	40,527	210,864
Other Financing Uses				
Advance out	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,000)</u>	-
Total other financing uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,000)</u>	-
Net change in fund balance	(198,337)	(198,337)	12,527	210,864
Fund balances at beginning of year	238,366	238,366	238,366	-
Prior year encumbrances appropriated	59,588	59,588	59,588	-
Fund balances at end of year	<u>\$ 99,617</u>	<u>\$ 99,617</u>	<u>\$ 310,481</u>	<u>\$ 210,864</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, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current assets:				
Pooled cash and cash equivalents	\$ 1,065,369	\$ 2,152,036	\$ 132,909	\$ 988,858
Receivables:				
Accounts	446,455	571,159	-	107,141
Prepaid items	10,017	670	353	-
Materials and supplies inventory	142,199	9,069	-	-
Total current assets	<u>1,664,040</u>	<u>2,732,934</u>	<u>133,262</u>	<u>1,095,999</u>
Noncurrent assets:				
Advances to other funds	-	300,000	-	-
Depreciable capital assets, net	9,405,079	15,690,663	9,350,183	230,131
Nondepreciable capital assets	969,450	134,526	745,305	-
Total noncurrent assets	<u>10,374,529</u>	<u>16,125,189</u>	<u>10,095,488</u>	<u>230,131</u>
Total assets	<u>12,038,569</u>	<u>18,858,123</u>	<u>10,228,750</u>	<u>1,326,130</u>
Deferred Outflows of Resources				
Pension	281,708	312,299	-	47,819
Total Deferred Outflows of Resources	<u>281,708</u>	<u>312,299</u>	<u>-</u>	<u>47,819</u>
Liabilities				
Current liabilities:				
Accounts payable	20,041	22,021	3,902	66,007
Accrued wages and benefits	10,415	14,983	-	2,484
Intergovernmental payable	7,869	9,197	-	1,586
Interest payable	2,826	3,783	2,096	-
Retainage payable	20,020	2,268	-	-
Refundable deposits	-	-	-	-
Notes payable	712	22,920	-	-
Bonds payable	82,335	110,239	114,970	-
Compensated absences	40,952	41,433	-	8,170
Total current liabilities	<u>185,170</u>	<u>226,844</u>	<u>120,968</u>	<u>78,247</u>
Noncurrent liabilities:				
Notes payable	5,341	291,480	-	-
Bonds payable	983,435	1,316,738	850,397	-
Compensated absences	131,807	97,672	-	8,596
Net pension liability	703,936	801,454	-	119,343
Total Noncurrent Liabilities	<u>1,824,519</u>	<u>2,507,344</u>	<u>850,397</u>	<u>127,939</u>
Total liabilities	<u>2,009,689</u>	<u>2,734,188</u>	<u>971,365</u>	<u>206,186</u>
Deferred Inflows of Resources				
Pension	13,601	21,187	-	2,306
Total Deferred Inflows of Resources	<u>13,601</u>	<u>21,187</u>	<u>-</u>	<u>2,306</u>
Net Position				
Net investment in capital assets	9,310,657	14,094,458	9,130,537	230,131
Unrestricted	986,330	2,320,589	126,848	935,326
Total net position	<u>\$ 10,296,987</u>	<u>\$ 16,415,047</u>	<u>\$ 9,257,385</u>	<u>\$ 1,165,457</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 523,733	\$ 211,686	\$ 5,074,591	\$ 581,071
-	-	-	-
431,259	-	1,556,014	-
1,552	76	12,668	154,572
-	-	151,268	-
<u>956,544</u>	<u>211,762</u>	<u>6,794,541</u>	<u>735,643</u>
-	-	300,000	-
158,200	17,632	34,851,888	-
-	216,620	2,065,901	-
<u>158,200</u>	<u>234,252</u>	<u>37,217,789</u>	<u>-</u>
<u>1,114,744</u>	<u>446,014</u>	<u>44,012,330</u>	<u>735,643</u>
162,047	3,293	807,166	-
<u>162,047</u>	<u>3,293</u>	<u>807,166</u>	<u>-</u>
1,503	1,143	114,617	1,349
5,263	-	33,145	-
4,735	-	23,387	-
-	-	8,705	-
-	-	22,288	-
-	192,791	192,791	-
-	-	23,632	-
-	-	307,544	-
26,420	-	116,975	-
<u>37,921</u>	<u>193,934</u>	<u>843,084</u>	<u>1,349</u>
-	-	296,821	-
-	-	3,150,570	-
41,929	-	280,004	-
<u>654,545</u>	<u>10,220</u>	<u>2,289,498</u>	<u>-</u>
<u>696,474</u>	<u>10,220</u>	<u>6,016,893</u>	<u>-</u>
<u>734,395</u>	<u>204,154</u>	<u>6,859,977</u>	<u>1,349</u>
46,449	335	83,878	-
<u>46,449</u>	<u>335</u>	<u>83,878</u>	<u>-</u>
158,200	234,252	33,158,235	-
<u>337,747</u>	<u>10,566</u>	<u>4,717,406</u>	<u>734,294</u>
<u>\$ 495,947</u>	<u>\$ 244,818</u>	<u>\$ 37,875,641</u>	<u>\$ 734,294</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, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for services	\$ 2,084,277	\$ 2,801,361	\$ -	\$ 998,299
Refunds and reimbursements	102	-	-	-
Rental income	-	-	131,650	-
Other operating revenue	99,793	-	-	34,745
Total operating revenues	<u>2,184,172</u>	<u>2,801,361</u>	<u>131,650</u>	<u>1,033,044</u>
Operating Expenses				
Personal services	949,368	1,172,271	-	149,593
Contractual services	189,599	329,792	103,058	655,162
Materials and supplies	349,789	103,212	-	29,093
Depreciation	445,703	611,879	138,260	28,702
Other operating expenses	52,879	55,023	10,959	27,278
Total operating expenses	<u>1,987,338</u>	<u>2,272,177</u>	<u>252,277</u>	<u>889,828</u>
Operating income (loss)	<u>196,834</u>	<u>529,184</u>	<u>(120,627)</u>	<u>143,216</u>
Nonoperating Revenues (Expenses)				
Interest and fiscal charges	(34,307)	(45,941)	(27,778)	-
Other nonoperating expense	-	(7,286)	-	-
Transfers in	-	-	120,000	-
Total non-operating revenues (expenses)	<u>(34,307)</u>	<u>(53,227)</u>	<u>92,222</u>	<u>-</u>
Change in net position	162,527	475,957	(28,405)	143,216
Net position at beginning of year	10,134,460	15,939,090	9,285,790	1,022,241
Net position at end of year	<u>\$ 10,296,987</u>	<u>\$ 16,415,047</u>	<u>\$ 9,257,385</u>	<u>\$ 1,165,457</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 545,268	\$ 9,451	\$ 6,438,656	\$ 1,229,018
-	-	102	-
-	-	131,650	-
100	-	134,638	-
<u>545,368</u>	<u>9,451</u>	<u>6,705,046</u>	<u>1,229,018</u>
360,822	3,435	2,635,489	1,349
15,053	-	1,292,664	969,914
23,945	-	506,039	-
24,352	806	1,249,702	-
23,037	3,215	172,391	11,500
<u>447,209</u>	<u>7,456</u>	<u>5,856,285</u>	<u>982,763</u>
<u>98,159</u>	<u>1,995</u>	<u>848,761</u>	<u>246,255</u>
-	-	(108,026)	-
-	-	(7,286)	-
-	-	120,000	-
<u>-</u>	<u>-</u>	<u>4,688</u>	<u>-</u>
98,159	1,995	853,449	246,255
397,788	242,823	37,022,192	488,039
<u>\$ 495,947</u>	<u>\$ 244,818</u>	<u>\$ 37,875,641</u>	<u>\$ 734,294</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, 2016**

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 2,100,440	\$ 2,837,260	\$ 131,650	\$ 991,754
Other operating receipts	99,895	-	-	34,745
Cash paid to employees	(1,084,590)	(1,341,370)	-	(144,324)
Cash paid to suppliers	(530,301)	(436,761)	(106,439)	(690,062)
Cash paid for other expenses	(53,447)	(54,075)	(11,089)	(16,528)
Net cash flows from operating activities	<u>531,997</u>	<u>1,005,054</u>	<u>14,122</u>	<u>175,585</u>
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	-	-	120,000	-
Advances in (out)	-	100,000	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>120,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(348,044)	(574,076)	(3,204)	-
Payment of debt	(81,257)	(130,763)	(114,876)	-
Payment of interest	(35,716)	(47,828)	(28,089)	-
Net cash flows from capital and related financing activities	<u>(465,017)</u>	<u>(752,667)</u>	<u>(146,169)</u>	<u>-</u>
Net change in cash	66,980	352,387	(12,047)	175,585
Cash and cash equivalents at beginning of year	998,389	1,799,649	144,956	813,273
Cash and cash equivalents at end of year	<u>\$ 1,065,369</u>	<u>\$ 2,152,036</u>	<u>\$ 132,909</u>	<u>\$ 988,858</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 196,834	\$ 529,184	\$ (120,627)	\$ 143,216
Add depreciation expense	445,703	611,879	138,260	28,702
Add loss on disposals	2,424	10,844	-	-
(Increase)/Decrease in current assets and deferred outflows				
Accounts receivable	16,163	35,899	-	(6,545)
Prepaid expenses	(164)	(152)	(208)	-
Materials and supplies inventory	12,386	62	-	-
Deferred outflows of resources - pension	(193,545)	(209,287)	-	(32,750)
Increase/(Decrease) in current liabilities and deferred inflows				
Accounts payable	(6,127)	3,614	(3,303)	4,943
Accrued wages	(16,744)	(17,984)	-	(2,351)
Compensated absences	12,832	37,248	-	959
Refundable deposits	-	-	-	-
Due to other funds	(175,000)	(225,000)	-	-
Intergovernmental payable	(1,731)	(2,459)	-	(136)
Retainage payable	-	(17,177)	-	-
Net pension liability	233,627	237,110	-	38,658
Deferred inflows of resources - pension	5,339	11,273	-	889
Net cash flows from operating activities	<u>\$ 531,997</u>	<u>\$ 1,005,054</u>	<u>\$ 14,122</u>	<u>\$ 175,585</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 520,765	\$ 29,439	\$ 6,611,308	\$ 1,229,018
100	-	134,740	-
(339,138)	(3,125)	(2,912,547)	-
(34,324)	-	(1,797,887)	(1,141,022)
(24,490)	(16,603)	(176,232)	(11,500)
<u>122,913</u>	<u>9,711</u>	<u>1,859,382</u>	<u>76,496</u>
-	-	120,000	-
-	-	100,000	-
<u>-</u>	<u>-</u>	<u>220,000</u>	<u>-</u>
(46,122)	-	(971,446)	-
-	-	(326,896)	-
-	-	(111,633)	-
<u>(46,122)</u>	<u>-</u>	<u>(1,409,975)</u>	<u>-</u>
76,791	9,711	669,407	76,496
446,942	201,975	4,405,184	504,575
<u>\$ 523,733</u>	<u>\$ 211,686</u>	<u>\$ 5,074,591</u>	<u>\$ 581,071</u>
\$ 98,159	\$ 1,995	\$ 848,761	\$ 246,255
24,352	806	1,249,702	-
-	-	13,268	-
(24,503)	-	21,014	-
4,353	2	3,831	(96,150)
-	-	12,448	-
(91,187)	(1,972)	(528,741)	-
(1,132)	1,143	(862)	1,349
(5,423)	(633)	(43,135)	-
34	-	51,073	-
-	5,455	5,455	-
-	-	(400,000)	-
(873)	(187)	(5,386)	(74,958)
-	-	(17,177)	-
74,038	2,896	586,329	-
45,095	206	62,802	-
<u>\$ 122,913</u>	<u>\$ 9,711</u>	<u>\$ 1,859,382</u>	<u>\$ 76,496</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, 2016

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 22,393	\$ 27,749
Cash in segregated account	-	43,369
Investments	60,000	-
Total assets	82,393	71,118
Liabilities		
Accounts Payable	148	-
Deposits held and due to others	-	27,749
Undistributed assets	-	43,369
Total liabilities	148	71,118
Net Position		
Net position held in trust	\$ 82,245	\$ -

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 1,499
Total additions	<u>1,499</u>
Deductions	
Endowments	<u>148</u>
Total deductions	<u>148</u>
Change in net position	1,351
Net position at beginning of year	<u>80,894</u>
Net position at end of year	<u><u>\$ 82,245</u></u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016**

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, 2016**

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, 2016**

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.

During 2016, the City's investments consisted solely of negotiable certificates of deposit. 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, 2016**

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 9.

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, 2016, but which were levied to finance 2017 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 9).

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, 2016**

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, 2016**

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, 2016**

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 and Street Department 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	\$ 641,120	\$ 87,560
Parks and Recreation Change	(62,932)	-
Revenue accruals	185,543	(988)
Expenditure accruals	(701,255)	71,836
Other Financing Sources	-	(28,000)
Encumbrances	(156,395)	(117,881)
Budget basis	\$ (93,919)	\$ 12,527

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016**

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 \$2,779,828 and the bank balance was \$3,114,003. Of the bank balance, \$649,000 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, 2016, the City had \$10,485,945 invested in negotiable certificates of deposit.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments reported at fair value are valued using quoted market prices (Level 1 inputs).

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, 2016, the market value of negotiable certificates of deposit maturing in calendar years 2017, 2018, 2019, 2020, and 2021 were \$1,996,640, \$2,506,035, \$2,762,141, \$1,757,634 and \$1,463,495, 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, 2016**

NOTE 5 - TAXES

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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, 2016. The assessed valuation of the City for tax year 2015, which were used to collect taxes in calendar year 2016 was \$209,567,640.

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, 2016**

NOTE 6 – TAX ABATEMENTS

Ohio Enterprise Zone Program

The Ohio Enterprise Zone Program is an economic development tool used by the County that provides real and personal property tax exemptions to businesses making investments in the County. The tax being abated is real property tax. The tax incentives are negotiated by the County and the enterprise zone agreement must be in place before the project begins. The Ohio Enterprise Zone Program is part of chapter 5709 of the Ohio Revised Code.

The County's Enterprise Zone's geographic area is determined by the County. Resolution number 466-95 passed by the County sets forth the area of the County that can negotiate an enterprise zone agreement.

The taxes are abated by exempting a percentage of certain assessed valuation of the property for a period of time, in exchange for a commitment to purchase, remodel, and/or construct properties that will improve property value and/or bring/retain jobs to/within the County.

The Tax Incentive Review Council meets annually to review the exemptions and to determine whether the company is maintaining their end of the agreement. If an agreement is terminated by the Review Council, the assessed valuation of the property will be set at its fair market valuation with no additional exemption allowed

The gross dollar amount by which the taxes were reduced to the City for 2016 was as follows:

Company	Term	Percent	Amount
AcuSport Corporation	2015-2025	75%	\$4,410
ISS America, Inc.	2015-2025	75%	334
			<u>\$4,744</u>

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2016, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 8,028,184	\$ 14,334	\$ -	\$ (34,038)	\$ 8,008,480
Construction in Progress	-	5,896	-	-	5,896
Total Non-depreciated assets	<u>8,028,184</u>	<u>20,230</u>	<u>-</u>	<u>(34,038)</u>	<u>8,014,376</u>
Capital assets, being depreciated:					
Land Improvements	5,812,626	30,959	-	34,038	5,877,623
Buildings	4,920,417	-	-	-	4,920,417
Building Components	271,453	112,655	-	-	384,108
Equipment	2,693,917	198,314	(25,686)	-	2,866,545
Furniture	265,756	29,650	-	-	295,406
Vehicles	3,299,200	84,091	(60,724)	23,503	3,346,070
Infrastructure	18,900,123	1,021,712	-	-	19,921,835
Total depreciated assets	<u>36,163,492</u>	<u>1,477,381</u>	<u>(86,410)</u>	<u>57,541</u>	<u>37,612,004</u>
Total capital assets	<u>44,191,676</u>	<u>1,497,611</u>	<u>(86,410)</u>	<u>23,503</u>	<u>45,626,380</u>
Less accumulated depreciation for:					
Land Improvements	372,704	65,475	-	-	438,179
Buildings	2,401,602	73,568	-	-	2,475,170
Building Components	28,709	16,102	-	-	44,811
Equipment	1,923,254	94,727	(18,030)	-	1,999,951
Furniture	216,025	4,876	-	-	220,901
Vehicles	2,129,655	144,744	(54,652)	16,217	2,235,964
Infrastructure	9,556,042	553,543	-	-	10,109,585
Total accumulated depreciation	<u>16,627,991</u>	<u>953,035</u>	<u>(72,682)</u>	<u>16,217</u>	<u>17,524,561</u>
Total depreciable assets, net	<u>19,535,501</u>	<u>524,346</u>	<u>(13,728)</u>	<u>41,324</u>	<u>20,087,443</u>
Total capital assets, net	<u>\$ 27,563,685</u>	<u>\$ 544,576</u>	<u>\$ (13,728)</u>	<u>\$ 7,286</u>	<u>\$ 28,101,819</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 58,218
Health	3,495
Judicial	21,851
Legislative and Executive	83,280
Public Safety	110,528
Public Works	176,651
Transportation	499,012
Total	<u>\$ 953,035</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2016, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 1,784,949	\$ -	\$ -	\$ -	\$ 1,784,949
Construction in Progress	-	280,952	-	-	280,952
Total Non-depreciated assets	<u>1,784,949</u>	<u>280,952</u>	<u>-</u>	<u>-</u>	<u>2,065,901</u>
Capital assets, being depreciated:					
Land Improvements	8,187,250	-	(3,835)	-	8,183,415
Buildings	13,876,033	-	-	-	13,876,033
Building Components	131,005	4,600	-	-	135,605
Equipment	5,616,453	424,830	(22,464)	-	6,018,819
Furniture	95,744	5,494	-	-	101,238
Vehicles	1,755,335	118,984	(19,495)	(23,503)	1,831,321
Infrastructure	19,811,714	158,874	-	-	19,970,588
Total depreciated assets	<u>49,473,534</u>	<u>712,782</u>	<u>(45,794)</u>	<u>(23,503)</u>	<u>50,117,019</u>
Total capital assets	<u>51,258,483</u>	<u>993,734</u>	<u>(45,794)</u>	<u>(23,503)</u>	<u>52,182,920</u>
Less accumulated depreciation for:					
Land Improvements	591,931	33,236	(820)	-	624,347
Buildings	3,841,587	190,380	-	-	4,031,967
Building Components	14,332	8,060	-	-	22,392
Equipment	2,726,373	268,494	(14,161)	-	2,980,706
Furniture	30,104	7,011	-	-	37,115
Vehicles	947,277	146,098	(17,545)	(16,217)	1,059,613
Infrastructure	5,912,568	596,423	-	-	6,508,991
Total accumulated depreciation	<u>14,064,172</u>	<u>1,249,702</u>	<u>(32,526)</u>	<u>(16,217)</u>	<u>15,265,131</u>
Total depreciable assets, net	<u>35,409,362</u>	<u>(536,920)</u>	<u>(13,268)</u>	<u>(7,286)</u>	<u>34,851,888</u>
Total capital assets, net	<u>\$ 37,194,311</u>	<u>\$ (255,968)</u>	<u>\$ (13,268)</u>	<u>\$ (7,286)</u>	<u>\$ 36,917,789</u>

Depreciation expense was charged to governmental functions as follows:

Water	\$ 445,703
Sewer	611,879
Airport	138,260
Garbage	28,702
Ambulance	24,352
Other Nonmajor	806
Total	<u>\$ 1,249,702</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
2010 Energy Project Bonds, 2-3.75%, 2027	457,968	-	(32,403)	425,565	33,123
OPWC Street Resurfacing, 0%, 2019	105,000	-	(30,000)	75,000	30,000
OPWC Roadway Improvement	211,173	-	(11,732)	199,441	11,732
OPWC Whispering Pines Resurfacing, 0%, 2036	239,291	-	(5,982)	233,309	11,965
Huntington National Bank Loan, 1.60%, 2017	52,096	-	(25,841)	26,255	26,255
Logan County Loan, 0%, 2019	-	96,703	(24,176)	72,527	24,176
Unamortized premium on sale of bonds	3,706	-	(506)	3,200	-
Compensated Absences Payable	1,200,766	287,977	(337,374)	1,151,369	415,441
Net Pension Liability	8,262,159	2,624,568	-	10,886,727	-
Total Governmental Activities	10,532,159	3,009,248	(468,014)	13,073,393	552,692
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Airport Improvement Refunding, 2.57%, 2023	1,020,333	-	(110,667)	909,666	110,667
OPWC Waterline Replacement, 0%, 2025	6,765	-	(712)	6,053	712
OPWC Storm Water Drainage, 0%, 2028	105,000	-	(8,400)	96,600	8,400
OPWC Wastewater Treatment Plant Upgrade, 0%, 2031	232,320	-	(14,520)	217,800	14,520
2010 Energy Project Bonds 2-3%, 2027	2,722,032	-	(192,597)	2,529,435	196,877
Unamortized premium on sale of bonds	22,021	-	(3,008)	19,013	-
Compensated Absences Payable	345,906	101,906	(50,833)	396,979	116,975
Net Pension Liability	1,703,169	586,329	-	2,289,498	-
Total Business-Type Activities	6,157,546	688,235	(380,737)	6,465,044	448,151
Total Long-Term Obligations	\$ 16,689,705	\$ 3,697,483	\$ (848,751)	\$ 19,538,437	\$ 1,000,843

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, 2016 (See Note 11). 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, 2016**

NOTE 8 - 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.

During 2016, the City entered into an interest free loan agreement with Logan County in the amount of \$96,703 for the purpose of upgrading the City's 911 system. The loan carries an interest rate of 0 percent and matures in 2019.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the City's future debt service requirements as of December 31, 2016 were as follows:

Year	Principal	Interest
Governmental Activities:		
2017	137,251	14,061
2018	111,717	12,813
2019	98,156	11,882
2020	59,701	10,824
2021	61,141	9,744
2022-2026	322,983	30,237
2027-2031	163,847	1,701
2032-2036	77,301	-
	\$ 1,032,097	\$ 91,262
Business-Type Activities:		
2017	331,176	104,455
2018	340,455	96,688
2019	359,016	88,188
2020	368,295	78,664
2021	381,855	68,927
2022-2026	1,623,922	191,078
2026-2031	354,835	10,112
	\$ 3,759,554	\$ 638,112

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

The net pension (asset)/liability reported on the statement of net position represents a (asset)/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 (asset)/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 (asset)/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 (asset)/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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

GASB 68 assumes the net pension (asset)/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 (asset)/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 (asset)/liability. Resulting adjustments to the net pension (asset)/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 (asset)/liability on the accrual basis of accounting. Any (asset)/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 basis 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 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.

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.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$416,297 for 2016. Of this amount, \$39,728 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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
Pension	12.25 %	12.25 %
2016 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:		
Pension	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$571,435 for 2016. Of this amount \$58,566 is reported as an intergovernmental payable.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The net pension asset and net pension (asset)/liability for OPERS were measured as of December 31, 2015, and the total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date. OPF's total pension (asset)/liability was measured as of December 31, 2015, and was determined by rolling forward the total pension (asset)/liability as of January 1, 2015, to December 31, 2015. 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	\$4,596,890	(\$13,873)	\$8,579,335	\$13,162,352
Proportion of the Net Pension (Asset)/Liability	0.0265390%	0.0285100%	0.1333630%	
Pension Expense	\$653,741	\$2,667	\$1,188,768	\$1,845,176

At December 31, 2016, 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	\$ 1,351,198	\$ 5,989	\$ 1,396,388	\$ 2,753,575
Change in proportionate share	25,653	-	140,043	165,696
City contributions subsequent to the measurement date	408,290	8,007	571,435	987,732
Total Deferred Outflows of Resources	<u>1,785,141</u>	<u>13,996</u>	<u>2,107,866</u>	<u>3,907,003</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	88,821	6,331	24,089	119,241
Change in proportionate share	27,881	550	21,534	49,965
Total Deferred Inflows of Resources	<u>\$ 116,702</u>	<u>\$ 6,881</u>	<u>\$ 45,623</u>	<u>\$ 169,206</u>

\$987,732 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year Ending December 31:	OPERS		OP&F	Total
	Traditional Plan	Combined Plan		
2017	\$ 294,488	\$ 675	\$ 385,900	\$ 681,063
2018	316,102	675	385,900	702,677
2019	341,591	673	385,903	728,167
2020	307,968	506	311,456	619,930
2021	-	(865)	18,193	17,328
Thereafter	-	(2,556)	3,456	900
Total	\$ 1,260,149	\$ (892)	\$ 1,490,808	\$ 2,750,065

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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 0.40 percent for 2015.

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 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
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 %

Discount Rate The discount rate used to measure the total pension (asset)/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 (asset)/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	\$7,323,968	\$4,596,890	\$2,296,685
Combined Plan	(\$285)	(\$13,873)	(\$24,804)

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below:

Valuation Date	January 1, 2015
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.

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, 2015 are summarized below:

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<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.

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.

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
City's proportionate share of the net pension liability	\$11,314,994	\$8,579,335	\$6,261,963

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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 OPERS sponsored health coverage. OPERS funds a Retiree Medical Account (RMA) for participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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 OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. See the Plan Statement in the OPERS 2015 CAFR for details.

Funding Policy 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 2016, 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, 2016**

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Each year, the OPERS Board 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 Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is 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 employee contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Direct Plan for 2016 was 4.0%

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2016, 2015, and 2014 were \$69,383, \$69,095, and \$68,376, respectively. The full amount has been contributed for 2015 and 2014; 90 percent has been contributed for 2016 with the remainder being reported as a fund liability.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-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.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. The report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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

OP&F maintains funds for health care in two separate accounts. One 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, 2016**

NOTE 10 – 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, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2016, 2015, and 2014, were \$571,435, \$569,894, and \$546,183, respectively, of which \$13,654, \$13,601, and \$13,174, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2015 and 2014. 90 percent has been contributed for 2016 with the remainder being reported as a fund liability.

NOTE 11 - 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, 2016, the City's liability for accumulated unpaid sick leave was \$648,133. A liability of \$465,106 has been recognized in the governmental activities and \$183,027 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$900,215. A liability of \$686,263 has been recognized in the governmental activities and \$213,952 has been recognized in the business-type activities.

NOTE 12 – CONTINGENCIES

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, 2016**

NOTE 13 – 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	\$ -	\$ 243,450
Other Governmental Funds	123,450	-
Airport Fund	120,000	-
	<u>\$ 243,450</u>	<u>\$ 243,450</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 Out</u>	<u>Transfers In</u>
Governmental Activities	\$ -	\$ 7,286
Sewer Fund	7,286	-
	<u>\$ 7,286</u>	<u>\$ 7,286</u>

Interfund balances at December 31, 2016 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	168,000	-	(28,000)	140,000
Street Department	(168,000)	-	28,000	(140,000)
Reconstruction Improvement	(400,000)	-	100,000	(300,000)
Police and Fire Trust Fund	(150,000)	-	150,000	-
Total Governmental Activities	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Water Fund	(175,000)	-	175,000	-
Sewer Fund	175,000	-	125,000	300,000
Total Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 14 - 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, 2016, the revenue bonds outstanding were \$5,465,000.

NOTE 15 – 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 16 – ACCOUNTABILITY

Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2016:

<u>Governmental Fund</u>	<u>Deficit</u>
<i>Major fund</i>	
Reconstruction Improvement Fund	\$ (233,707)

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, 2016**

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the City implemented GASB Statement No. 72 "*Fair Value Measurement and Application*" which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptor valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The implementation of this statement did not have an effect on the financial statements of the City, however appropriate note disclosure was included.

For fiscal year 2016, the City implemented GASB Statement No. 76 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 77 "*Tax Abatement Disclosures*" which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government's ability to raise resources in the future, by reporting (1) the government's own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not have an effect on the financial statements of the City, however note disclosure was included.

For fiscal year 2016, the City implemented GASB Statement No. 78 "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", which amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2016, the City implemented GASB Statement No. 79 "*Certain External Investment Pools and Pool Participants*" which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the City.

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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 Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension (Asset)/Liability			
Traditional Plan	0.0265390%	0.026567%	0.026567%
Combined Plan	0.0285100%	0.026397%	0.026397%
City's Proportionate Share of the Net Pension			
Traditional Plan	\$ 4,596,890	\$ 3,204,278	\$ 3,131,903
Combined Plan	(13,873)	(10,163)	(2,770)
City's Covered-Employee Payroll	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	132.66%	94.92%	93.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
Traditional Plan	81.08%	86.45%	86.36%
Combined Plan	116.90%	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 Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.1333630%	0.1305117%	0.1305117%
City's Proportionate Share of the Net Pension Liability	\$ 8,579,335	\$ 6,761,050	\$ 6,356,329
City's Covered-Employee Payroll	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	315.40%	258.00%	255.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	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 Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 416,297	\$ 414,567	\$ 403,816	\$ 434,036
Contributions in relation to the contractually required contribution	\$ (416,297)	\$ (414,567)	\$ (403,816)	\$ (434,036)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
Contributions as a percentage of covered-employee payroll	12.00%	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 Five Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 571,435	\$ 569,894	\$ 546,183	\$ 444,932	\$ 352,766
Contributions in relation to the contractually required contribution	\$ (571,435)	\$ (569,894)	\$ (546,183)	\$ (444,932)	\$ (352,766)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471	\$ 2,416,073
Contributions as a percentage of covered-employee payroll	20.93%	20.95%	20.84%	17.92%	14.60%

(1) Information prior to 2012 is not available.



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2017.

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 opinions 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

October 27, 2017



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 14, 2017