



Dave Yost • Auditor of State

**CITY OF BEXLEY
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Bexley
Franklin County
2242 East Main Street
Bexley, Ohio 43209

To the City 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 Bexley, Franklin County, Ohio (the City), as of and for the year ended December 31, 2012, 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 Bexley, Franklin County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General, Police Pension, and Roads and Sidewalks Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the Government adopted the provisions of Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65, "Items Previously Reported as Assets and Liabilities." We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 August 6, 2013, 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

August 6, 2013

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- The City restated net position at December 31, 2011 as described in Note 3. The total net position of the City increased \$1,477,927. Net position of governmental activities increased \$866,791 or 4.17% over 2011 and net position of business-type activities increased \$611,136 or 7.51% above 2011.
- General revenues accounted for \$11,365,239 or 79.94% of total governmental activities revenue. Program specific revenues accounted for \$2,851,864 or 20.06% of total governmental activities revenue.
- The City had \$13,355,802 in expenses related to governmental activities; \$2,851,864 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$10,503,938 were offset by general revenues (primarily property taxes, municipal income taxes and unrestricted grants and entitlements) of \$11,365,239.
- The General Fund had revenues of \$10,360,182 in 2012. This represents an increase of \$110,259 from 2011. The expenditures and other financing uses of the General Fund, which totaled \$11,881,687 in 2012, decreased \$2,367,855 from 2011. The net decrease in fund balance for the General Fund was \$1,521,505 or 30.39%.
- The Police Pension Fund had \$444,698 in revenues and other financing sources and \$392,223 in expenditures in 2012. The net increase in fund balance for the Police Pension Fund was \$52,475 or 90.63%.
- The Roads and Sidewalks Fund had \$834,474 in revenues and \$436,510 in expenditures and other financing uses in 2012. The net increase in fund balance for the Roads and Sidewalks Fund was \$397,964 or 63.38%.
- The Bond Retirement Fund had other financing sources of \$1,721,212 in 2012. The expenditures of the Bond Retirement Fund totaled \$1,711,518 in 2012. The net increase in fund balance for the Bond Retirement Fund was \$9,694 or 2.36%.
- The College and South Cassady Fund had \$3,328,171 in revenues and other financing sources and \$3,302,475 in expenditures in 2012. The College and South Cassady Fund did not have a balance at December 31, 2012.
- Net position for the business-type activities, which are composed of the Water, Sewer and Refuse enterprise funds, increased in 2012 by \$611,136.
- The Water Enterprise Fund had operating revenues of \$2,545,508 and operating expenses of \$2,316,858. The Water Fund had \$27,568 in non-operating revenues and \$78,585 in non-operating expenses and transfers out. The net position of the Water Fund increased \$177,633 or 4.89% during 2012.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

- The Sewer Enterprise Fund had operating revenues of \$2,409,660 and operating expenses of \$2,082,628. The Sewer Fund had \$53,390 in non-operating expenses. The net position of the Sewer Fund increased \$273,642 or 6.79%.
- The Refuse Enterprise Fund had operating revenues of \$1,302,669 and operating expenses of \$1,134,945. The Refuse Fund had non-operating expenses of \$7,863. The net position of the Refuse Fund increased \$159,861 or 33.35% during 2012.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take 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 net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

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

Governmental Activities - Most of the City's programs and services are reported here including police, fire, street maintenance, capital improvements and general administration. These services are funded primarily by property and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer and refuse operations are reported here.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the General Fund, Police Pension Fund, Roads and Sidewalks Fund, Bond Retirement Fund and the College and South Cassady Fund. Information for major funds is presented separately in the governmental fund Balance Sheet and in the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-30 of this report.

Proprietary Funds

The City maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and refuse operations. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 31-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 34 of this report.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

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. These notes to the basic financial statements can be found on pages 35-64 of this report.

Government-Wide Financial Analysis

The Statement of Net Position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2012 compared to 2011. The 2011 net position has been restated as described in Note 3. In addition, certain amounts for 2011 have been reclassified to conform to 2012 presentation.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
<u>Assets</u>						
Current and other assets	\$ 13,508,791	\$ 12,061,860	\$ 4,701,389	\$ 4,173,376	\$ 18,210,180	\$ 16,235,236
Capital assets, net	35,688,951	33,637,900	7,595,090	7,714,829	43,284,041	41,352,729
Total assets	<u>49,197,742</u>	<u>45,699,760</u>	<u>12,296,479</u>	<u>11,888,205</u>	<u>61,494,221</u>	<u>57,587,965</u>
<u>Deferred outflows of resources</u>						
Deferred outflows of resources	76,110	88,795	-	-	76,110	88,795
<u>Liabilities</u>						
Current and other liabilities	2,787,714	1,334,779	854,070	884,495	3,641,784	2,219,274
Long-term liabilities:						
Due within one year	1,289,512	1,154,797	169,039	165,973	1,458,551	1,320,770
Due in more than one year	21,499,381	20,386,476	2,521,724	2,697,227	24,021,105	23,083,703
Total liabilities	<u>25,576,607</u>	<u>22,876,052</u>	<u>3,544,833</u>	<u>3,747,695</u>	<u>29,121,440</u>	<u>26,623,747</u>
<u>Deferred inflows of resources</u>						
Deferred inflows of resources	2,057,415	2,139,464	-	-	2,057,415	2,139,464
<u>Net Position</u>						
Net investment in capital assets	13,648,662	13,399,095	5,396,465	5,399,900	19,045,127	18,798,995
Restricted for:						
Transportation	1,777,019	583,300	-	-	1,777,019	583,300
Police programs	20,632	29,178	-	-	20,632	29,178
Main Street improvements	752,397	653,620	-	-	752,397	653,620
Other purposes	18,387	173,796	-	-	18,387	173,796
Unrestricted	5,422,733	5,934,050	3,355,181	2,740,610	8,777,914	8,674,660
Total net position	<u>\$ 21,639,830</u>	<u>\$ 20,773,039</u>	<u>\$ 8,751,646</u>	<u>\$ 8,140,510</u>	<u>\$ 30,391,476</u>	<u>\$ 28,913,549</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$30,391,476. At year-end, net position was \$21,639,830 and \$8,751,646 for the governmental activities and the business-type activities, respectively.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70.39% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, software, vehicles, and infrastructure. The City's net investment in capital assets at December 31, 2012, was \$13,648,662 and \$4,941,465 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,568,435, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$5,422,733 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net position for 2012 compared to 2011. The City's net position at December 31, 2011 has been restated as described in Note 3, and interest and fiscal charges of the governmental activities and water expenses of the business-type activities have been restated for 2011 to eliminate the amortization of bond issuance costs as previously reported.

	Change in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>Restated 2011</u>	<u>2012</u>	<u>Restated 2011</u>	<u>2012</u>	<u>Restated 2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,292,621	\$ 1,244,742	\$ 6,255,153	\$ 5,705,713	\$ 7,547,774	\$ 6,950,455
Operating grants and contributions	613,427	826,924	-	-	613,427	826,924
Capital grants and contributions	<u>945,816</u>	<u>267,942</u>	<u>-</u>	<u>-</u>	<u>945,816</u>	<u>267,942</u>
Total program revenues	<u>2,851,864</u>	<u>2,339,608</u>	<u>6,255,153</u>	<u>5,705,713</u>	<u>9,107,017</u>	<u>8,045,321</u>
General revenues:						
Property taxes	1,780,070	1,704,401	-	-	1,780,070	1,704,401
Income taxes	7,186,272	6,866,287	-	-	7,186,272	6,866,287
Grants and entitlements	1,645,431	1,256,987	-	-	1,645,431	1,256,987
Investment earnings	95,683	185,486	-	-	95,683	185,486
Other local taxes	189,935	183,380	-	-	189,935	183,380
Revenue in lieu of taxes	446,753	284,122	-	-	446,753	284,122
Other	<u>21,095</u>	<u>18,738</u>	<u>30,252</u>	<u>4,106</u>	<u>51,347</u>	<u>22,844</u>
Total general revenues	<u>11,365,239</u>	<u>10,499,401</u>	<u>30,252</u>	<u>4,106</u>	<u>11,395,491</u>	<u>10,503,507</u>
Total revenues	<u>14,217,103</u>	<u>12,839,009</u>	<u>6,285,405</u>	<u>5,709,819</u>	<u>20,502,508</u>	<u>18,548,828</u>

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

	Governmental Activities		Business-type Activities		Total	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Expenses:						
General government	2,802,826	2,903,848	-	-	2,802,826	2,903,848
Security of persons and property	6,149,069	6,335,948	-	-	6,149,069	6,335,948
Public health and welfare	80,648	86,629	-	-	80,648	86,629
Transportation	2,040,469	1,850,192	-	-	2,040,469	1,850,192
Community environment	18,088	192,907	-	-	18,088	192,907
Leisure time activity	1,564,833	1,511,908	-	-	1,564,833	1,511,908
Intergovernmental	-	580	-	-	-	580
Interest and fiscal charges	699,869	728,491	-	-	699,869	728,491
Water	-	-	2,389,953	2,093,739	2,389,953	2,093,739
Sewer	-	-	2,136,018	1,896,198	2,136,018	1,896,198
Refuse	-	-	1,142,808	1,113,699	1,142,808	1,113,699
Total expenses	13,355,802	13,610,503	5,668,779	5,103,636	19,024,581	18,714,139
Increase in net position before transfers	861,301	(771,494)	616,626	606,183	1,477,927	(165,311)
Transfers	5,490	(2,283,141)	(5,490)	2,283,141	-	-
Change in net position	866,791	(3,054,635)	611,136	2,889,324	1,477,927	(165,311)
Net position at beginning of year (restated)	20,773,039	23,827,674	8,140,510	5,251,186	28,913,549	29,078,860
Net position at end of year	\$ 21,639,830	\$ 20,773,039	\$ 8,751,646	\$ 8,140,510	\$ 30,391,476	\$ 28,913,549

Governmental Activities

The net position of the governmental activities increased \$866,791 in 2012. This is primarily due to increased grant revenue related to the College and South Cassady project, as well as increased income tax revenues due to the increase in the income tax levy for 2012 from 2 to 2.5 percent.

Security of persons and property, which includes police and fire department operations, accounted for \$6,149,069 or 46.04% of the total expenses of the City. Security of persons and property expenses were partially funded by \$88,567 in direct charges to users of the services. General government expenses totaled \$2,802,826. General government expenses were partially funded by \$254,662 in direct charges to users of the services and \$10,961 in operating grants and contributions. Transportation expenses totaled \$2,040,469 and were partially funded by operating grants and contributions of \$556,983 and capital grants and contributions of \$945,816. Leisure time activity expenses totaled \$1,564,833. Leisure time activity expenses were partially funded by \$945,452 in direct charges to users of the services and \$43,483 in operating grants and contributions.

The state and federal government contributed to the City a total of \$613,427 in operating grants and contributions and \$945,816 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of these totals, \$1,502,799 subsidized transportation programs.

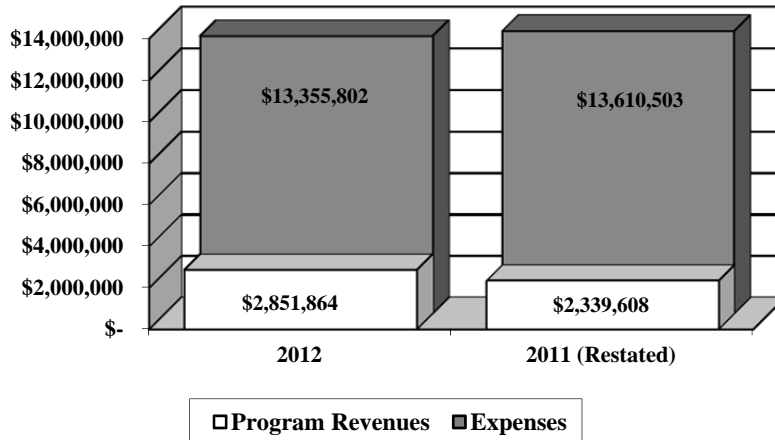
General revenues totaled \$11,365,239, and amounted to 79.94% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,966,342, as well as grants and entitlements not restricted to specific programs, including local government, making up \$1,645,431.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The graph below shows total governmental expenses and the portion of those expenses offset by program revenues. Expenses for 2011 have been restated to exclude the amortization of bond issuance costs.

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements for 2012 compared to 2011. The total and net cost of interest and fiscal charges for 2011 has been restated to exclude the amortization of bond issuance costs.

Governmental Activities

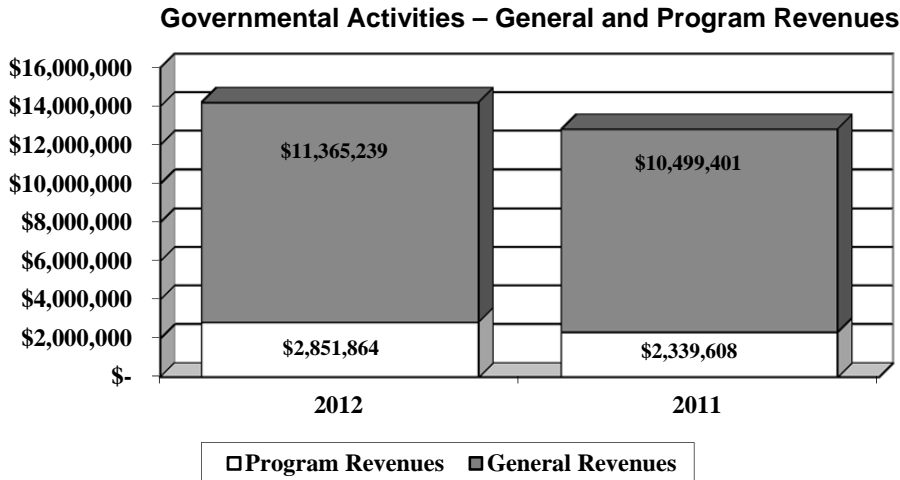
	2012		2011	
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
Program Expenses:				
General government	\$ 2,802,826	\$ 2,537,203	\$ 2,903,848	\$ 2,890,967
Security of persons and property	6,149,069	6,060,502	6,335,948	6,199,730
Public health and welfare	80,648	80,648	86,629	86,629
Transportation	2,040,469	537,670	1,850,192	1,010,036
Community environment	18,088	12,148	192,907	(199,198)
Leisure time activities	1,564,833	575,898	1,511,908	553,660
Intergovernmental	-	-	580	580
Interest and fiscal charges	699,869	699,869	728,491	728,491
Total Expenses	\$ 13,355,802	\$ 10,503,938	\$ 13,610,503	\$ 11,270,895

The dependence upon general revenues for governmental activities is apparent, with 78.65% of expenses supported through taxes and other general revenues.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

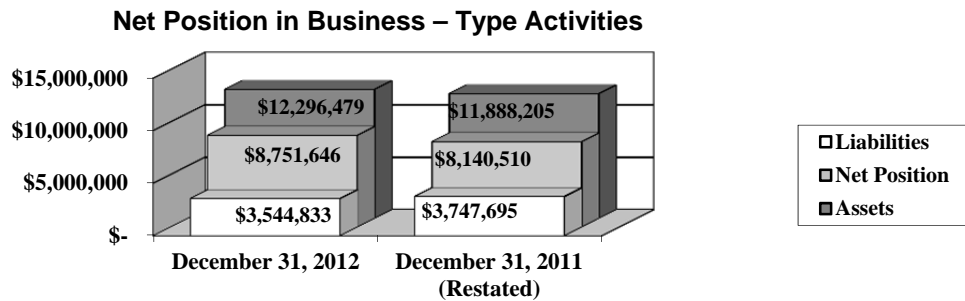
The chart below illustrates the City's program revenues versus general revenues for 2012 and 2011.



Business-type Activities

Business-type activities include the Water, Sewer and Refuse Enterprise Funds. These programs had program revenues of \$6,255,153, general revenues of \$30,252, transfers out of \$5,490 and expenses of \$5,668,779 for 2012. The net position of business-type activities increased \$616,626 in 2012. This is primarily due to decreased expenses in all business-type activity funds as a result of the City cutting back on expenditures and wrapping up outstanding water and sewer projects.

The graph below shows the business-type activities assets, liabilities and net position at year-end.



Financial Analysis of the Government'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 the City's net resources available for spending at year-end.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

The City's governmental funds (as presented on the Balance Sheet on pages 20-21) reported a combined fund balance of \$6,439,457 which is \$513,104 lower than last year's total of \$6,952,561. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and non-major governmental funds.

	Balance 12/31/12	Balance (Deficit) 12/31/11	Increase (Decrease)
Major funds:			
General	\$ 3,484,704	\$ 5,006,209	\$ (1,521,505)
Police Pension	110,376	57,901	52,475
Roads and Sidewalks	1,025,888	627,924	397,964
Bond Retirement	420,137	410,443	9,694
College and South Cassady	-	(25,696)	25,696
Other nonmajor governmental funds	<u>1,398,352</u>	<u>875,780</u>	<u>522,572</u>
Total	<u>\$ 6,439,457</u>	<u>\$ 6,952,561</u>	<u>\$ (513,104)</u>

General Fund

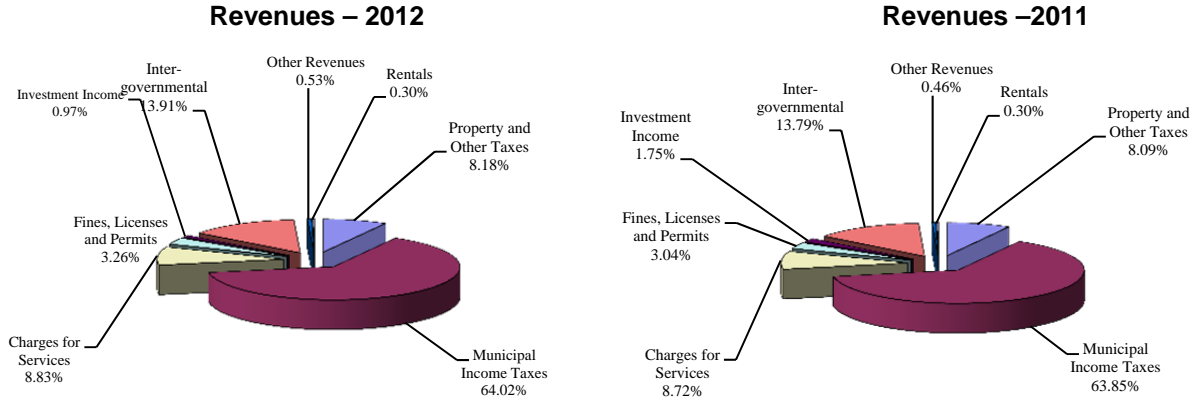
The City's General Fund balance decreased \$1,521,505. The table that follows assists in illustrating the revenues of the General Fund.

	2012 Amount	2011 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Municipal income taxes	\$ 6,633,375	\$ 6,543,407	\$ 89,968	1.37 %
Property and other taxes	847,355	829,682	17,673	2.13 %
Charges for services	914,370	894,231	20,139	2.25 %
Fines and forfeitures	87,804	77,931	9,873	12.67 %
Licenses and permits	249,891	233,611	16,280	6.97 %
Intergovernmental	1,441,267	1,413,288	27,979	1.98 %
Investment earnings	100,135	179,823	(79,688)	(44.31) %
Rental income	31,082	30,899	183	0.59 %
Contributions and donations	33,808	31,068	2,740	8.82 %
Miscellaneous	<u>21,095</u>	<u>15,983</u>	<u>5,112</u>	<u>31.98 %</u>
Total	<u>\$ 10,360,182</u>	<u>\$ 10,249,923</u>	<u>\$ 110,259</u>	<u>1.08 %</u>

Revenue of the General Fund increased \$110,259 or 1.08%. Tax revenue (income tax, property and other taxes) represents 72.20% of all General Fund revenue. Tax revenue increased \$107,641 over the prior year. This increase is primarily due to better than expected income tax revenues. The decrease in investment earnings of \$79,688 is due to decreased investments and rates on investments. The increase in fines and forfeitures and licenses and permits is due to an increase in fines collected and permits issued.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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



The table that follows assists in illustrating the expenditures of the General Fund.

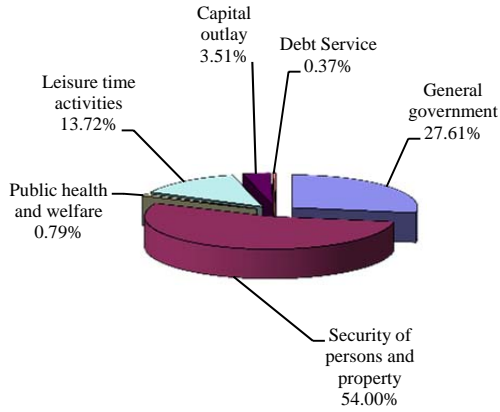
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 2,828,684	\$ 2,775,972	\$ 52,712	1.90 %
Security of persons and property	5,533,126	5,632,623	(99,497)	(1.77) %
Public health and welfare	80,648	86,629	(5,981)	(6.90) %
Leisure time activities	1,405,948	1,343,795	62,153	4.63 %
Community environment	-	155,183	(155,183)	(100.00) %
Capital outlay	359,450	2,446,463	(2,087,013)	(85.31) %
Debt service	37,776	37,776	-	- %
Total	<u>\$ 10,245,632</u>	<u>\$ 12,478,441</u>	<u>\$ (2,232,809)</u>	<u>(17.89) %</u>

General Fund expenditures decreased \$2,232,809 or 17.89%. The most significant component of this decrease is a reduction in capital outlay of \$2,087,013 or 85.31% from 2011, as the City spent significantly less for the acquisition and construction of capital assets from the General Fund during 2012. Further, the City recognized no community environment expenditures in the General Fund during 2012 as departments previously coded to this function are now reported under general government. The decreases in security of persons and property, and public health and welfare are due to decreased spending throughout the City.

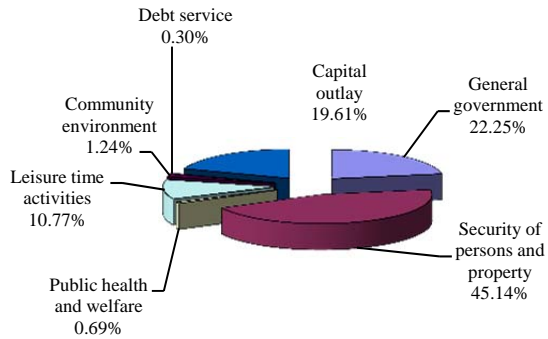
**CITY OF BEXLEY
FRANKLIN COUNTY**

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

Expenditures - 2012



Expenditures - 2011



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the General Fund, the actual revenues were \$64,826 higher than they were in the final budget and actual expenditures and other financing uses were \$582,798 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$100,296 from the original to the final budget. Budgeted revenues decreased \$238,482 from the original to the final budget.

Police Pension Fund

The Police Pension Fund had \$444,698 in revenues and other financing sources and \$392,223 in expenditures in 2012. The Police Pension Fund balance increased \$52,475 from \$57,901 to \$110,376, primarily due to a change in accrued pension liabilities from three months in arrears to just one month in arrears.

Roads and Sidewalks Fund

The Roads and Sidewalks Fund had \$834,474 in revenues and \$436,510 in expenditures and other financing uses in 2012. The balance of the Roads and Sidewalks Fund increased \$397,964 from a balance of \$627,924 to \$1,025,888, due to decreased spending for projects within the fund.

Bond Retirement Fund

The Bond Retirement Fund had other financing sources of \$1,721,212 in 2012. The expenditures of the Bond Retirement Fund totaled \$1,711,518 in 2012. The net increase in fund balance for the Bond Retirement Fund was \$9,694 or 2.36%, which is insignificant.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

College and South Cassady Fund

The College and South Cassady Fund had \$3,328,171 in revenues and other financing sources and \$3,302,475 in expenditures in 2012. The College and South Cassady Fund's deficit decreased \$25,696 to a zero balance, due to the project nearing completion and the only activity being on-behalf OPWC loan proceeds with matching expenditures.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012, the City had \$43,284,041 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$35,688,951 was reported in governmental activities and \$7,595,090 was reported in business-type activities. The following table shows December 31, 2012 balances compared to December 31, 2011:

**Capital Assets at December 31
(Net of Depreciation)**

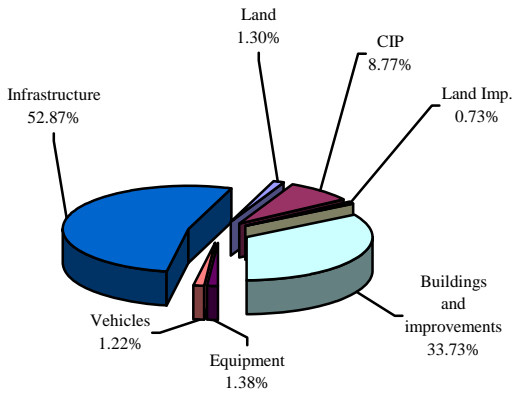
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 462,707	\$ 462,707	\$ -	\$ -	\$ 462,707	\$ 462,707
Construction in Progress	3,130,915	1,770,003	-	-	3,130,915	1,770,003
Land improvements	261,829	277,402	-	-	261,829	277,402
Buildings and improvements	12,038,039	12,320,426	8,290	8,848	12,046,329	12,329,274
Equipment	493,180	556,321	44,284	49,059	537,464	605,380
Vehicles	434,362	468,469	82,965	122,247	517,327	590,716
Infrastructure	18,867,919	17,782,572	7,459,551	7,534,675	26,327,470	25,317,247
Totals	<u>\$35,688,951</u>	<u>\$33,637,900</u>	<u>\$ 7,595,090</u>	<u>\$ 7,714,829</u>	<u>\$43,284,041</u>	<u>\$41,352,729</u>

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.

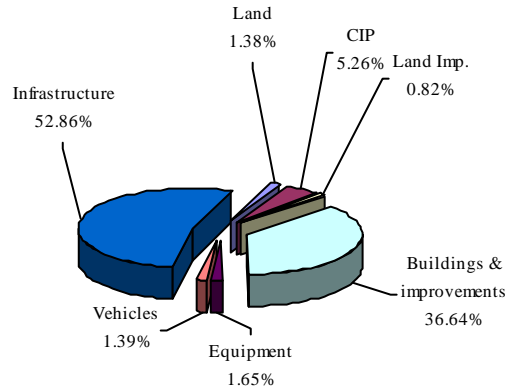
**CITY OF BEXLEY
FRANKLIN COUNTY**

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

**Capital Assets - Governmental Activities
December 31, 2012**



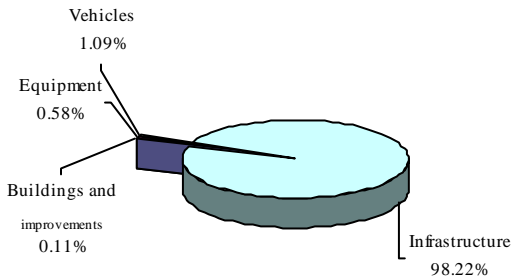
**Capital Assets - Governmental Activities
December 31, 2011**



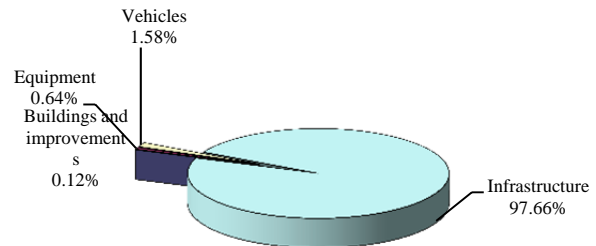
Infrastructure primarily includes roads. These items are immovable and of value only to the City; however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 52.87% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2012 and 2011.

**Capital Assets - Business-Type Activities
December 31, 2012**



**Capital Assets - Business-Type Activities
December 31, 2011**



The City's largest business-type capital asset category is infrastructure. These items play a vital role in the income producing ability of the business-type activities. The net book value of the infrastructure of the business-type activities (cost less accumulated depreciation) represents approximately 98.22% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2012 and 2011. In the governmental activities, the balance of general obligation bonds at December 31, 2011, has been restated to exclude deferred charges on the refunding of debt, reclassified to be reported as a deferred inflow of resources in accordance with GASB Statement No. 65.

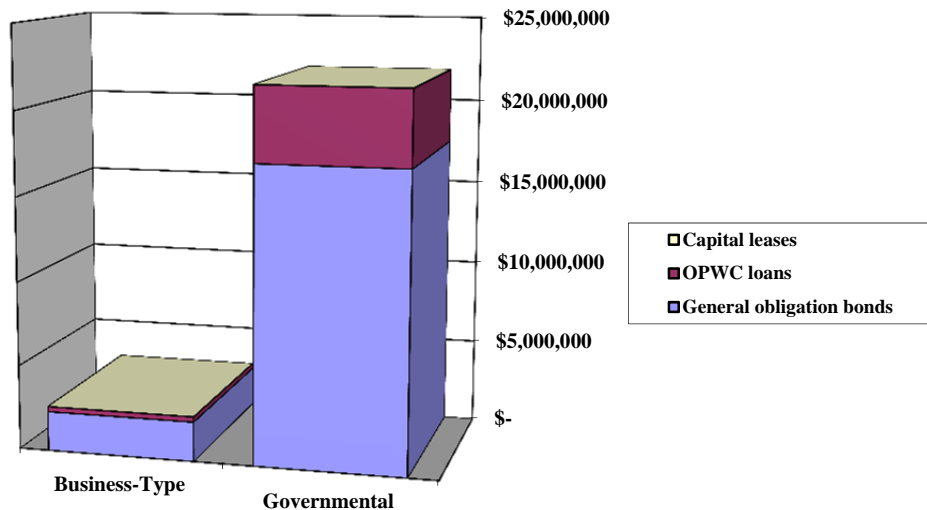
**CITY OF BEXLEY
FRANKLIN COUNTY**

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

	Governmental Activities		Business-type Activities	
	2012	Restated 2011	2012	2011
General obligation bonds	\$ 17,434,702	\$ 18,410,252	\$ 2,345,200	\$ 2,485,950
OPWC loans	4,668,689	2,398,832	308,425	332,150
Capital Lease	<u>13,008</u>	<u>48,303</u>	<u>-</u>	<u>-</u>
Total long-term obligations	<u>\$ 22,116,399</u>	<u>\$ 20,857,387</u>	<u>\$ 2,653,625</u>	<u>\$ 2,818,100</u>

A comparison of the long-term obligations by category is depicted in the chart below.

Long-term obligations



Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In December 2012, the unemployment rate for Franklin County (in which the City is located) was 5.4%, the state average unemployment rate was 6.6%, and the national average was 7.6%.

Inflationary trends in the region compare favorably to national indices. These factors were considered in preparing the City's budget for the 2013 fiscal year. For 2013 in the General Fund, the City anticipates receipts of \$10,860,029 and expenditures of \$10,944,331. The City had unassigned fund balance in the General Fund, on the modified accrual basis of accounting, of \$2,409,625 at December 31, 2012.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Beecher Hale, Finance Director, City of Bexley, 2242 East Main Street, Bexley, Ohio, 43209, telephone (614) 559-4260 or email at bhale@bexley.org.

**CITY OF BEXLEY
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 6,928,790	\$ 3,554,057	\$ 10,482,847
Cash with fiscal agent	45,274	-	45,274
Cash in segregated accounts	2,934	-	2,934
Receivables:			
Municipal income taxes	3,114,828	-	3,114,828
Property taxes	1,901,572	-	1,901,572
Other local taxes	50,500	-	50,500
Revenue in lieu of taxes	224,576	-	224,576
Accounts	-	1,139,000	1,139,000
Accrued interest	14,436	-	14,436
Due from other governments	1,193,716	-	1,193,716
Materials and supplies inventory	32,165	8,332	40,497
Capital assets:			
Land and construction in progress	3,593,622	-	3,593,622
Depreciable capital assets, net	32,095,329	7,595,090	39,690,419
Total capital assets, net	<u>35,688,951</u>	<u>7,595,090</u>	<u>43,284,041</u>
Total assets	<u>49,197,742</u>	<u>12,296,479</u>	<u>61,494,221</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	76,110	-	76,110
Liabilities:			
Accounts payable	2,178,142	15,023	2,193,165
Contracts payable	10,000	27,148	37,148
Accrued wages and benefits payable	135,143	20,265	155,408
Vacation balances payable	217,525	15,171	232,696
Due to other governments	187,820	769,278	957,098
Accrued interest payable	59,084	7,185	66,269
Long-term liabilities:			
Due within one year	1,289,512	169,039	1,458,551
Due in more than one year	21,499,381	2,521,724	24,021,105
Total liabilities	<u>25,576,607</u>	<u>3,544,833</u>	<u>29,121,440</u>
Deferred inflows of resources:			
Property taxes levied for next fiscal year	1,832,839	-	1,832,839
Revenue in lieu of taxes levied for next fiscal year	224,576	-	224,576
Total deferred inflows of resources	<u>2,057,415</u>	<u>-</u>	<u>2,057,415</u>
Net position:			
Net investment in capital assets	13,648,662	5,396,465	19,045,127
Restricted for:			
Transportation projects	1,777,019	-	1,777,019
Police programs	20,632	-	20,632
Main Street public improvements	752,397	-	752,397
Other purposes	18,387	-	18,387
Unrestricted	<u>5,422,733</u>	<u>3,355,181</u>	<u>8,777,914</u>
Total net position	<u>\$ 21,639,830</u>	<u>\$ 8,751,646</u>	<u>\$ 30,391,476</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 2,802,826	\$ 254,662	\$ 10,961	\$ -
Security of persons and property	6,149,069	88,567	-	-
Public health and welfare	80,648	-	-	-
Transportation.	2,040,469	-	556,983	945,816
Community environment	18,088	3,940	2,000	-
Leisure time activity.	1,564,833	945,452	43,483	-
Interest and fiscal charges.	699,869	-	-	-
Total governmental activities	<u>13,355,802</u>	<u>1,292,621</u>	<u>613,427</u>	<u>945,816</u>
Business-type activities:				
Water	2,389,953	2,542,824	-	-
Sewer	2,136,018	2,409,660	-	-
Refuse	<u>1,142,808</u>	<u>1,302,669</u>	-	-
Total business-type activities.	<u>5,668,779</u>	<u>6,255,153</u>	-	-
Total primary government	<u>\$ 19,024,581</u>	<u>\$ 7,547,774</u>	<u>\$ 613,427</u>	<u>\$ 945,816</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Transportation projects
 - Police pension
- Income taxes levied for:
 - General purposes
- Revenue in lieu of taxes
- Other local taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues.

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year (restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,537,203)	\$ -	\$ (2,537,203)
(6,060,502)	-	(6,060,502)
(80,648)	-	(80,648)
(537,670)	-	(537,670)
(12,148)	-	(12,148)
(575,898)	-	(575,898)
(699,869)	-	(699,869)
<u>(10,503,938)</u>	<u>-</u>	<u>(10,503,938)</u>
-	152,871	152,871
-	273,642	273,642
-	<u>159,861</u>	<u>159,861</u>
-	<u>586,374</u>	<u>586,374</u>
<u>(10,503,938)</u>	<u>586,374</u>	<u>(9,917,564)</u>
663,552	-	663,552
731,686	-	731,686
384,832	-	384,832
7,186,272	-	7,186,272
446,753	-	446,753
189,935	-	189,935
1,645,431	-	1,645,431
95,683	-	95,683
<u>21,095</u>	<u>30,252</u>	<u>51,347</u>
<u>11,365,239</u>	<u>30,252</u>	<u>11,395,491</u>
<u>5,490</u>	<u>(5,490)</u>	<u>-</u>
<u>11,370,729</u>	<u>24,762</u>	<u>11,395,491</u>
866,791	611,136	1,477,927
<u>20,773,039</u>	<u>8,140,510</u>	<u>28,913,549</u>
<u>\$ 21,639,830</u>	<u>\$ 8,751,646</u>	<u>\$ 30,391,476</u>

**CITY OF BEXLEY
FRANKLIN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General	Police Pension	Roads and Sidewalks	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and investments	\$ 3,966,699	\$ 125,523	\$ 1,035,888	\$ 420,137	\$ 1,380,543	\$ 6,928,790
Cash with fiscal agent	-	-	-	-	45,274	45,274
Cash in segregated accounts	2,712	-	-	-	222	2,934
Receivables:						
Municipal income taxes	3,114,828	-	-	-	-	3,114,828
Property taxes	721,399	404,886	775,287	-	-	1,901,572
Other local taxes	50,500	-	-	-	-	50,500
Revenue in lieu of taxes	-	-	-	-	224,576	224,576
Interfund loans	72,798	-	-	-	-	72,798
Accrued interest	14,436	-	-	-	-	14,436
Due from other governments	865,182	28,113	53,054	-	247,367	1,193,716
Materials and supplies inventory	5,329	-	-	-	26,836	32,165
Total assets	\$ 8,813,883	\$ 558,522	\$ 1,864,229	\$ 420,137	\$ 1,924,818	\$ 13,581,589
Liabilities:						
Accounts payable	\$ 2,139,840	\$ -	\$ -	\$ -	\$ 38,302	\$ 2,178,142
Contracts payable	-	-	10,000	-	-	10,000
Accrued wages and benefits payable	124,258	-	-	-	10,885	135,143
Interfund loans payable	-	-	-	-	72,798	72,798
Due to other governments	158,024	15,147	-	-	14,649	187,820
Total liabilities	2,422,122	15,147	10,000	-	136,634	2,583,903
Deferred inflows of resources:						
Property taxes levied for next fiscal year	695,324	390,251	747,264	-	-	1,832,839
Revenue in lieu of taxes levied for next fiscal year	-	-	-	-	224,576	224,576
Delinquent property tax revenue not available	26,075	14,635	28,023	-	-	68,733
Income tax revenue not available	1,777,965	-	-	-	-	1,777,965
Intergovernmental revenue not available	399,887	28,113	53,054	-	165,256	646,310
Accrued interest not available	7,806	-	-	-	-	7,806
Total deferred inflows of resources	2,907,057	432,999	828,341	-	389,832	4,558,229
Fund balances:						
Nonspendable	15,173	-	-	-	26,836	42,009
Restricted	-	110,376	1,025,888	-	1,311,849	2,448,113
Committed	-	-	-	-	10,868	10,868
Assigned	1,059,906	-	-	420,137	48,799	1,528,842
Unassigned	2,409,625	-	-	-	-	2,409,625
Total fund balances	3,484,704	110,376	1,025,888	420,137	1,398,352	6,439,457
Total liabilities, deferred inflows of resources and fund balances	\$ 8,813,883	\$ 558,522	\$ 1,864,229	\$ 420,137	\$ 1,924,818	\$ 13,581,589

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

Total governmental fund balances		\$	6,439,457
 <i>Amounts reported for governmental activities on the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,688,951
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Municipal income taxes receivable	\$	1,777,965	
Delinquent property taxes receivable		68,733	
Intergovernmental receivable		646,310	
Accrued interest receivable		7,806	
Total		2,500,814	2,500,814
Accrued interest is not due and payable in the current period and therefore is not reported in the governmental funds.			(59,084)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			76,110
Unamortized premiums on bond issuances are not recognized in the funds.			(259,902)
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		(330,409)	
Vacation balances payable		(217,525)	
Ohio Police and Fire pension obligation payable		(342,085)	
Capital lease payable		(13,008)	
General obligation bonds payable		(17,174,800)	
OPWC loans payable		(4,668,689)	
Total		(22,746,516)	(22,746,516)
Net position of governmental activities		\$	21,639,830

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

FRANKLIN COUNTY

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

	General	Police Pension	Roads and Sidewalks	Bond Retirement	College and South Cassidy	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Municipal income taxes	\$ 6,633,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,633,375
Property taxes	657,420	379,731	720,576	-	-	-	1,757,727
Other local taxes	189,935	-	-	-	-	-	189,935
Intergovernmental	1,441,267	59,833	113,898	-	918,084	634,896	3,167,978
Charges for services	914,370	-	-	-	-	-	914,370
Licenses and permits	249,891	-	-	-	-	1,482	251,373
Fines and forfeitures	87,804	-	-	-	-	4,052	91,856
Revenue in lieu of taxes	-	-	-	-	-	446,753	446,753
Investment income	100,135	-	-	-	-	5,489	105,624
Rental income	31,082	-	-	-	-	-	31,082
Contributions and donations	33,808	-	-	-	-	6,675	40,483
Other	21,095	-	-	-	-	3,940	25,035
Total revenues	10,360,182	439,564	834,474	-	918,084	1,103,287	13,655,591
Expenditures:							
Current:							
General government	2,828,684	-	-	-	-	51,212	2,879,896
Security of persons and property	5,533,126	368,431	-	-	-	-	5,901,557
Public health and welfare	80,648	-	-	-	-	-	80,648
Transportation	-	-	10,000	-	-	707,910	717,910
Community environment	-	-	-	-	-	17,180	17,180
Leisure time activity	1,405,948	-	-	-	-	7,464	1,413,412
Capital outlay	359,450	-	18,887	-	3,302,475	46,350	3,727,162
Debt service:							
Principal retirement	35,295	8,967	-	1,026,059	-	73,421	1,143,742
Interest and fiscal charges	2,481	14,825	-	685,459	-	-	702,765
Total expenditures	10,245,632	392,223	28,887	1,711,518	3,302,475	903,537	16,584,272
Excess (deficiency) of revenues over (under) expenditures	114,550	47,341	805,587	(1,711,518)	(2,384,391)	199,750	(2,928,681)
Other financing sources (uses):							
Proceeds of OPWC loan	-	-	-	-	2,410,087	-	2,410,087
Transfers in	-	5,134	-	1,721,212	-	322,822	2,049,168
Transfers (out)	(1,636,055)	-	(407,623)	-	-	-	(2,043,678)
Total other financing sources (uses)	(1,636,055)	5,134	(407,623)	1,721,212	2,410,087	322,822	2,415,577
Net change in fund balances	(1,521,505)	52,475	397,964	9,694	25,696	522,572	(513,104)
Fund balances (deficit) at beginning of year	5,006,209	57,901	627,924	410,443	(25,696)	875,780	6,952,561
Fund balances at end of year	\$ 3,484,704	\$ 110,376	\$ 1,025,888	\$ 420,137	\$ -	\$ 1,398,352	\$ 6,439,457

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN 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, 2012**

Net change in fund balances - total governmental funds \$ (513,104)

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$	3,812,741	
Current year depreciation		(1,719,936)	
Total			2,092,805

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (41,754)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes		552,897	
Delinquent property taxes		15,971	
Intergovernmental revenues		(2,904)	
Investment income		(4,452)	
Total			561,512

Proceeds of OPWC loans are reported as an other financing source in the funds funds, however, in the Statement of Activities, they are not reported as revenues as they increase the liabilities on the Statement of Net Position. (2,410,087)

Repayment of bond, loan, and lease principal is an expenditure in the funds, but the repayment reduces long-term liabilities on the Statement of Net Position.

Principal payments made during the year were:

Bonds		959,250	
OPWC loans		140,230	
Capital leases		35,295	
Ohio Police and Fire pension obligation		8,967	
Total			1,143,742

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due. The following items resulted in more interest being reported on the Statement of Activities:

Increase in accrued interest payable		(719)	
Amortization of deferred amounts on refunding		(12,685)	
Amortization of bond premiums		16,300	
Total			2,896

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. These activities consist of:

Decrease in vacation balances payable		20,251	
Decrease in compensated absences payable		2,425	
Decrease in income tax revenue sharing payable		8,105	
Total			30,781

Change in net position of governmental activities \$ 866,791

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 8,441,482	\$ 8,269,421	\$ 8,319,363	\$ 49,942
Property taxes	671,243	656,634	657,420	786
Other local taxes	186,691	182,628	186,917	4,289
Licenses and permits	265,766	248,319	249,891	1,572
Fines and forfeitures	89,286	87,343	87,871	528
Intergovernmental	1,150,942	1,125,893	1,132,702	6,809
Investment income	128,605	125,806	126,567	761
Contributions and donations	2,032	1,988	2,000	12
Other	21,435	20,968	21,095	127
Total revenues	<u>10,957,482</u>	<u>10,719,000</u>	<u>10,783,826</u>	<u>64,826</u>
Expenditures:				
Current:				
General government	3,585,480	3,327,794	3,034,716	293,078
Security of persons and property	5,746,281	5,775,889	5,622,008	153,881
Public health and welfare	84,000	84,000	80,648	3,352
Leisure time activity	667,270	402,688	346,748	55,940
Capital outlay	1,180,703	1,060,024	983,477	76,547
Total expenditures	<u>11,263,734</u>	<u>10,650,395</u>	<u>10,067,597</u>	<u>582,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,252)</u>	<u>68,605</u>	<u>716,229</u>	<u>647,624</u>
Other financing uses:				
Transfers (out)	<u>(1,187,420)</u>	<u>(1,901,055)</u>	<u>(1,901,055)</u>	<u>-</u>
Total other financing uses	<u>(1,187,420)</u>	<u>(1,901,055)</u>	<u>(1,901,055)</u>	<u>-</u>
Net change in fund balances	(1,493,672)	(1,832,450)	(1,184,826)	647,624
Fund balances at beginning of year	2,142,403	2,142,403	2,142,403	-
Prior year encumbrances appropriated	918,022	918,022	918,022	-
Fund balance at end of year	<u>\$ 1,566,753</u>	<u>\$ 1,227,975</u>	<u>\$ 1,875,599</u>	<u>\$ 647,624</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 403,721	\$ 393,711	\$ 381,486	\$ (12,225)
Intergovernmental	61,463	59,939	58,078	(1,861)
Total revenues	<u>465,184</u>	<u>453,650</u>	<u>439,564</u>	<u>(14,086)</u>
Expenditures:				
Current:				
Security of persons and property	459,079	480,079	478,794	1,285
Debt service:				
Principal retirement	8,967	8,967	8,967	-
Interest and fiscal charges	14,970	14,970	14,825	145
Total expenditures	<u>483,016</u>	<u>504,016</u>	<u>502,586</u>	<u>1,430</u>
Excess of expenditures over revenues	<u>(17,832)</u>	<u>(50,366)</u>	<u>(63,022)</u>	<u>(12,656)</u>
Other financing sources:				
Transfers in	5,433	5,298	5,134	(164)
Total other financing sources	<u>5,433</u>	<u>5,298</u>	<u>5,134</u>	<u>(164)</u>
Net change in fund balances	<u>(12,399)</u>	<u>(45,068)</u>	<u>(57,888)</u>	<u>(12,820)</u>
Fund balances at beginning of year	159,343	159,343	159,343	-
Prior year encumbrances appropriated	24,068	24,068	24,068	-
Fund balance at end of year	<u>\$ 171,012</u>	<u>\$ 138,343</u>	<u>\$ 125,523</u>	<u>\$ (12,820)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 737,357	\$ 733,045	\$ 725,193	\$ (7,852)
Intergovernmental	111,114	110,464	109,281	(1,183)
Total revenues	<u>848,471</u>	<u>843,509</u>	<u>834,474</u>	<u>(9,035)</u>
Expenditures:				
Current:				
Transportation	10,000	10,000	10,000	-
Capital outlay	133,950	133,950	133,887	63
Total expenditures	<u>143,950</u>	<u>143,950</u>	<u>143,887</u>	<u>63</u>
Excess of revenues over expenditures	<u>704,521</u>	<u>699,559</u>	<u>690,587</u>	<u>(8,972)</u>
Other financing uses:				
Transfers (out)	(407,623)	(407,623)	(407,623)	-
Total other financing sources uses	<u>(407,623)</u>	<u>(407,623)</u>	<u>(407,623)</u>	<u>-</u>
Net change in fund balances	296,898	291,936	282,964	(8,972)
Fund balances at beginning of year	618,974	618,974	618,974	-
Prior year encumbrances appropriated	8,950	8,950	8,950	-
Fund balance at end of year	<u>\$ 924,822</u>	<u>\$ 919,860</u>	<u>\$ 910,888</u>	<u>\$ (8,972)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Assets:				
Current assets:				
Equity in pooled cash and investments.	\$ 843,872	\$ 2,103,634	\$ 606,551	\$ 3,554,057
Receivables:				
Accounts	543,632	595,368	-	1,139,000
Materials and supplies inventory.	1,049	1,049	6,234	8,332
Total current assets.	<u>1,388,553</u>	<u>2,700,051</u>	<u>612,785</u>	<u>4,701,389</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	4,440,308	3,125,140	29,642	7,595,090
Total noncurrent assets.	<u>4,440,308</u>	<u>3,125,140</u>	<u>29,642</u>	<u>7,595,090</u>
Total assets.	<u>5,828,861</u>	<u>5,825,191</u>	<u>642,427</u>	<u>12,296,479</u>
Liabilities:				
Current liabilities:				
Accounts payable	1,830	13,193	-	15,023
Contracts payable	-	27,148	-	27,148
Accrued wages and benefits payable.	9,482	8,834	1,949	20,265
Due to other governments	360,224	407,724	1,330	769,278
Accrued interest payable.	5,154	2,031	-	7,185
Vacation balances payable.	11,608	3,563	-	15,171
Compensated absences payable - current.	1,744	870	-	2,614
General obligation bonds payable - current	104,700	38,000	-	142,700
OPWC loans payable - current.	-	23,725	-	23,725
Total current liabilities.	<u>494,742</u>	<u>525,088</u>	<u>3,279</u>	<u>1,023,109</u>
Long-term liabilities:				
Compensated absences payable	23,037	11,487	-	34,524
General obligation bonds payable	1,503,500	699,000	-	2,202,500
OPWC loans payable	-	284,700	-	284,700
Total long-term liabilities	<u>1,526,537</u>	<u>995,187</u>	<u>-</u>	<u>2,521,724</u>
Total liabilities	<u>2,021,279</u>	<u>1,520,275</u>	<u>3,279</u>	<u>3,544,833</u>
Net position:				
Net investment in capital assets.	3,287,108	2,079,715	29,642	5,396,465
Unrestricted	520,474	2,225,201	609,506	3,355,181
Total net position.	<u>\$ 3,807,582</u>	<u>\$ 4,304,916</u>	<u>\$ 639,148</u>	<u>\$ 8,751,646</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 2,542,824	\$ 2,409,660	\$ 1,302,669	\$ 6,255,153
Other	2,684	-	-	2,684
Total operating revenues.	<u>2,545,508</u>	<u>2,409,660</u>	<u>1,302,669</u>	<u>6,257,837</u>
Operating expenses:				
Personal services	386,503	223,416	42,944	652,863
Contract services	1,757,825	1,729,304	1,051,729	4,538,858
Materials and supplies.	25,612	20,477	16,081	62,170
Depreciation.	141,388	101,675	6,237	249,300
Other	5,530	7,756	17,954	31,240
Total operating expenses	<u>2,316,858</u>	<u>2,082,628</u>	<u>1,134,945</u>	<u>5,534,431</u>
Operating income.	<u>228,650</u>	<u>327,032</u>	<u>167,724</u>	<u>723,406</u>
Non-operating revenues/(expenses):				
Interest and fiscal charges	(65,232)	(25,822)	-	(91,054)
Loss on disposal of capital assets.	(7,863)	-	(7,863)	(15,726)
Other non-operating revenues	27,568	-	-	27,568
Other non-operating expenses	-	(27,568)	-	(27,568)
Total nonoperating revenues/(expenses)	<u>(45,527)</u>	<u>(53,390)</u>	<u>(7,863)</u>	<u>(106,780)</u>
Income before transfers.	183,123	273,642	159,861	616,626
Transfers out	(5,490)	-	-	(5,490)
Change in net position	177,633	273,642	159,861	611,136
Net position at beginning of year (restated)	<u>3,629,949</u>	<u>4,031,274</u>	<u>479,287</u>	<u>8,140,510</u>
Net position at end of year	<u>\$ 3,807,582</u>	<u>\$ 4,304,916</u>	<u>\$ 639,148</u>	<u>\$ 8,751,646</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 2,494,776	\$ 2,407,308	\$ 1,302,669	\$ 6,204,753
Cash received from other operations	2,684	-	-	2,684
Cash payments for personal services.	(399,757)	(221,580)	(43,058)	(664,395)
Cash payments for contractual services	(1,729,693)	(1,700,778)	(1,138,810)	(4,569,281)
Cash payments for materials and supplies	(33,972)	(17,594)	(16,352)	(67,918)
Cash payments for other expenses	(5,530)	(7,756)	(17,954)	(31,240)
Net cash provided by operating activities	<u>328,508</u>	<u>459,600</u>	<u>86,495</u>	<u>874,603</u>
Cash flows from noncapital financing activities:				
Cash used in transfers out	(5,490)	-	-	(5,490)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(135,531)	-	(135,531)
Principal retirement on bonds	(103,750)	(37,000)	-	(140,750)
Principal retirement on OPWC loans	-	(23,725)	-	(23,725)
Interest and fiscal charges	(65,531)	(25,963)	-	(91,494)
Net cash used in capital and related financing activities.	<u>(169,281)</u>	<u>(222,219)</u>	<u>-</u>	<u>(391,500)</u>
Net increase in cash and cash equivalents	153,737	237,381	86,495	477,613
Cash and cash equivalents at beginning of year . . .	690,135	1,866,253	520,056	3,076,444
Cash and cash equivalents at end of year	<u>\$ 843,872</u>	<u>\$ 2,103,634</u>	<u>\$ 606,551</u>	<u>\$ 3,554,057</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 228,650	\$ 327,032	\$ 167,724	\$ 723,406
Adjustments:				
Depreciation.	141,388	101,675	6,237	249,300
Changes in assets and liabilities:				
(Increase) in accounts receivable.	(48,048)	(2,352)	-	(50,400)
Increase (decrease) in accounts payable	(8,480)	2,320	(87,352)	(93,512)
Increase (decrease) in accrued wages and benefits	(5,324)	740	154	(4,430)
Increase (decrease) in due to other governments	28,126	8,939	(268)	36,797
(Decrease) in compensated absences payable.	(7,441)	(521)	-	(7,962)
Increase in contracts payable.	-	20,319	-	20,319
Increase (decrease) in vacation balances payable	(363)	1,448	-	1,085
Net cash provided by operating activities	<u>\$ 328,508</u>	<u>\$ 459,600</u>	<u>\$ 86,495</u>	<u>\$ 874,603</u>

Noncash Transactions:

At December 31, 2012, the Sewer fund had purchased \$9,756 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012**

	Agency
Assets:	
Cash in segregated accounts.	\$ 73,084
Total assets	\$ 73,084
Liabilities:	
Deposits held and due to others	\$ 72,017
Undistributed assets	1,067
Total liabilities	\$ 73,084

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Bexley (the "City") is a home rule corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for the Mayor-Council form of government, was adopted November 8, 1996, and became effective December 31, 1996.

The charter provides for the Mayor-Council plan of government, whereby the legislative powers of the City are vested in a seven member City Council, all of which are elected at large for four-year terms. The Council sets the compensation guidelines for City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriations, indebtedness, licensing of regulated businesses and trades, and other municipal purposes.

The Mayor is the chief executive officer of the municipal corporation. Elected to a four-year term, the Mayor holds authority to appoint City Directors, other than the Director of Finance who is appointed by the City Auditor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, departments, and activities which are not legally separate from the City. They comprise the City's legal entity, which provides various services including public safety, street maintenance, parks and recreation, senior services, and engineering. The City of Bexley is also responsible for the construction, maintenance, and repairs associated with the water and sewer lines. Council and the Mayor have direct responsibility for these activities. The City of Columbus provides water and sewer treatment services.

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

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The following organization is described due to its relationship to the City:

JOINT GOVERNED ORGANIZATION

Mid-Ohio Regional Planning Commission

The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representatives appointed by member governments who make up the Commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south central Ohio and a regional planning agency whose membership includes 42 political subdivisions in and around Franklin, Ross, Fayette, Delaware, Pickaway, Madison, Licking, and Fairfield counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support livability/sustainability measures as a means of addressing regional growth challenges, and to administer and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

CITY OF BEXLEY
FRANKLIN COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

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

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

The following are the City's major governmental funds:

General Fund - This fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Police Pension Fund - The fund accounts for and reports property taxes levied and restricted to pay for police pension benefits.

Roads and Sidewalks Fund - This fund accounts for and reports all transactions restricted to street and sidewalk maintenance and construction.

Bond Retirement Fund - This fund accounts for and reports the accumulation of assigned transfers for the payment of general obligation debt principal and interest.

College and South Cassady Fund - This fund accounts for and reports all transactions restricted to College and South Cassady infrastructure improvements that are being financed through the Ohio Public Works Commission (OPWC).

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

Proprietary Funds - Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. The City's proprietary funds are enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following are the City's major enterprise funds:

Water Fund - This fund is used to account for the provision of water service to certain residents and businesses within the City.

Sewer Fund - This fund is used to account for the provision of sanitary sewer service to the residents and businesses of the City.

CITY OF BEXLEY
FRANKLIN COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

Refuse Fund - This fund is used to account for the operations providing refuse waste removal to the residents and businesses of the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds which are used to account for monies held for flexible spending accounts and for the distribution of mayor's court fines.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. The governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

CITY OF BEXLEY
FRANKLIN COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 60 days of year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), fines and forfeitures, and grants.

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

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

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. The Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the Balance Sheet and the Statement of Fiduciary Net Position as "cash in segregated accounts". The City has permissive motor vehicle license money, which is held by the Franklin County Engineer as agent and distributed to the City for approved street projects. The balance in this account is presented on the Balance Sheet as "cash with fiscal agent".

During the year, investments were limited to Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Treasury bonds, a U.S. Treasury money market, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's value per share which is the price at which the investment could be sold on December 31, 2012.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2012 amounted to \$100,135, which includes \$55,837 assigned from other funds.

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

G. Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivable" and "interfund payable." Interfund balances are eliminated on the government-wide Statement of Net Position.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

General capital assets are capital assets that are associated with governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values on the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. In the governmental activities, the City only reports general infrastructure assets acquired after 2003.

Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-Type Activities
<u>Description</u>	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Land improvements	15 - 20 Years	15 - 20 Years
Buildings and improvements	20 - 50 Years	20 - 45 Years
Equipment	5 - 15 Years	5 - 30 Years
Vehicles	8 Years	8 Years
Infrastructure	25 - 50 Years	25 - 50 Years

The City's infrastructure consists of road, curbs, gutters, sidewalks, traffic lights and signals, sewer lines, water lines and storm water drainage systems. The City only reports infrastructure acquired after 2003.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Bond Issuance Costs, Bond Premiums and Discounts, and Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which they are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the Statement of Net Position is presented in Note 11.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally 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.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

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

N. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated of the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists primarily of the mayor's court computer fund, the building standards assessment fund and the tax increment financing fund.

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer and refuse services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as nonoperating.

Q. Contributions of Capital

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. The city recognized no capital contributions during 2012.

R. Estimates

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

S. Budgets and Budgetary Accounting

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Budgets and Budgetary Accounting (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts set forth in the financial statements as final budgeted amounts represent estimates from the amended certificate in effect at the time final appropriations were passed by Council.

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

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

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

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

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

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

The implementation of GASB Statement No. 63 and 65 had the following effect on the City's financial statements:

	Governmental Activities	Business-type Activities	Enterprise Fund Water
Net assets as previously reported	\$ 21,226,066	\$ 8,145,305	\$ 3,634,744
Removal of unamortized bond issuance co	<u>(453,027)</u>	<u>(4,795)</u>	<u>(4,795)</u>
Net position at January 1, 2012	<u>\$ 20,773,039</u>	<u>\$ 8,140,510</u>	<u>\$ 3,629,949</u>

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 deposit accounts.

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

Interim deposits are deposits in 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.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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. In accordance with Ohio Revised Code, 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. The City's investment policy limits security purchases to those that mature within two years of the settlement date. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash in Segregated Accounts

At year end, the City had monies held outside of the City treasury. These depository accounts were established for Employee Flex Spending and Mayor's Court. The segregated cash accounts are reported in the General Fund and the agency funds. These depository accounts are included in "deposits with financial institutions" in the footnotes that follow.

B. Cash with Fiscal Agent

At year end, the City had \$45,274 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2012. This amount is not included in the City's depository balance below.

C. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$2,543,667 and the bank balance of all City deposits was \$2,624,628. Of the bank balance, \$1,776,975 was exposed to custodial risk as discussed below and \$847,653 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

D. Investments

As of December 31, 2012, the City had the following investments:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FNMA	\$ 4,508,823	\$ -	\$ -	\$ -	\$ -	\$ 4,508,823
FFCB	750,060	-	-	-	-	750,060
FHLMC	498,255	-	-	-	-	498,255
U.S. Treasury Bonds	2,248,060	-	-	-	1,000,230	1,247,830
U.S. Treasury STAR Ohio	10,000	10,000	-	-	-	-
Total	\$ 8,015,198	\$ 10,000	\$ -	\$ -	\$ 1,000,230	\$ 7,004,968

The weighted average of maturity of investments is 4.09 years.

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.

Credit Risk: The City's investments, except for STAR Ohio and the U.S Treasury Money Market account, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Treasury money market an AAAM money market rating. The City limits its investments to those authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. treasury bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any single issuer.

The following table includes the percentage of each investment type held by the City at December 31, 2012:

Investment type	Fair Value	% of Total
FNMA	\$ 4,508,823	56.25
FFCB	750,060	9.36
FHLMC	498,255	6.22
U.S. Treasury Bonds	2,248,060	28.05
STAR Ohio	10,000	0.12
Total	\$ 8,015,198	100.00

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 5 - MUNICIPAL INCOME TAX

The City levies and collects an income tax of two and one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 65 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City utilizes the Regional Income Tax Agency (RITA) for the collection of income taxes on its behalf. Income tax revenue recognized in the General Fund amounted to \$6,633,375 in 2012.

NOTE 6 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements.

Transfers from:	Transfers to:			Total
	Police Pension	Bond Retirement	Nonmajor Governmental Funds	
General	\$ 5,134	\$ 1,308,099	\$ 322,822	\$ 1,636,055
Roads and sidewalks	-	407,623	-	407,623
Total	\$ 5,134	\$ 1,715,722	\$ 322,822	\$ 2,043,678

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B. Interfund loans payable/receivable at December 31, 2012, as reported on the fund financial statements, consisted of the following:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	\$ 72,798

NOTE 7 - 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.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 7 - PROPERTY TAXES (Continued)

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

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

The full tax rate for all City operations for the year ended December 31, 2012 was \$7.85 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2012 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 444,220,120
Commercial/industrial/public utility	17,986,520

Public utility

Personal	<u>3,964,460</u>
Total assessed value	<u>\$ 466,171,100</u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of property taxes, revenue in lieu of taxes, other local taxes, municipal income taxes, accounts, accrued interest, and amounts due from other governments arising from grants, entitlements or shared revenues.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 8 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities:</u>	<u>Amount</u>
Local government	\$ 307,446
Estate tax	500,622
Homestead and rollback	128,281
Auto license	32,024
Gasoline tax	118,158
Municipal cents per gallon tax	59,787
Permissive motor vehicle license tax	37,398
Small grant	<u>10,000</u>
Total due from other governments	<u>\$ 1,193,716</u>

All receivables are considered fully collectible and will be received within one year with the exception of property taxes and income taxes. Water and sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, are subject to foreclosure for nonpayment. Property and income taxes and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 9 - CAPITAL ASSETS

A. Governmental activities

Governmental activities capital asset activity for the year ended December 31, 2012, was as follows:

<u>Governmental activities:</u>	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
<i>Capital assets, not being depreciated:</i>				
Land	\$ 462,707	\$ -	\$ -	\$ 462,707
Construction in progress	<u>1,770,003</u>	<u>3,676,756</u>	<u>(2,315,844)</u>	<u>3,130,915</u>
Total capital assets, not being depreciated	<u>2,232,710</u>	<u>3,676,756</u>	<u>(2,315,844)</u>	<u>3,593,622</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	926,602	-	-	926,602
Buildings and improvements	14,449,331	-	-	14,449,331
Equipment	2,108,267	50,221	(51,018)	2,107,470
Vehicles	1,379,940	85,764	(43,861)	1,421,843
Infrastructure	<u>30,120,802</u>	<u>2,315,844</u>	<u>-</u>	<u>32,436,646</u>
Total capital assets, being depreciated	<u>48,984,942</u>	<u>2,451,829</u>	<u>(94,879)</u>	<u>51,341,892</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(649,200)	(15,573)	-	(664,773)
Buildings and improvements	(2,128,905)	(282,387)	-	(2,411,292)
Equipment	(1,551,946)	(99,141)	36,797	(1,614,290)
Vehicles	(911,471)	(92,338)	16,328	(987,481)
Infrastructure	<u>(12,338,230)</u>	<u>(1,230,497)</u>	<u>-</u>	<u>(13,568,727)</u>
Total accumulated depreciation	<u>(17,579,752)</u>	<u>(1,719,936)</u>	<u>53,125</u>	<u>(19,246,563)</u>
Total capital assets, being depreciated, net	<u>31,405,190</u>	<u>731,893</u>	<u>(41,754)</u>	<u>32,095,329</u>
Governmental activities capital assets, net	<u>\$ 33,637,900</u>	<u>\$ 4,408,649</u>	<u>\$ (2,357,598)</u>	<u>\$ 35,688,951</u>

Depreciation expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General Government	\$ 36,141
Security of Persons and Property	238,427
Leisure Time Activities	143,860
Community Environment	908
Transportation	<u>1,300,600</u>
Total depreciation expense	<u>\$1,719,936</u>

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-type activities

Business-type activities capital asset activity for the year ended December 31, 2012, was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land improvements	\$ 36,421	\$ -	\$ -	\$ 36,421
Buildings and improvements	49,657	-	-	49,657
Equipment	79,194	-	-	79,194
Vehicles	379,375	-	(22,875)	356,500
Infrastructure	<u>10,947,965</u>	<u>145,287</u>	<u>-</u>	<u>11,093,252</u>
Total capital assets, not being depreciated	<u>11,492,612</u>	<u>145,287</u>	<u>(22,875)</u>	<u>11,615,024</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(36,421)	-	-	(36,421)
Buildings and improvements	(40,809)	(558)	-	(41,367)
Equipment	(30,135)	(4,775)	-	(34,910)
Vehicles	(257,128)	(23,556)	7,149	(273,535)
Infrastructure	<u>(3,413,290)</u>	<u>(220,411)</u>	<u>-</u>	<u>(3,633,701)</u>
Total accumulated depreciation	<u>(3,777,783)</u>	<u>(249,300)</u>	<u>7,149</u>	<u>(4,019,934)</u>
Business-type activities capital assets, net	<u>\$ 7,714,829</u>	<u>\$ (104,013)</u>	<u>\$ (15,726)</u>	<u>\$ 7,595,090</u>

Depreciation expense was charged to the City's enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 141,388
Sewer	101,675
Refuse	<u>6,237</u>
Total depreciation expense	<u>\$ 249,300</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City has entered into capitalized leases for vehicles and equipment. Capital assets acquired by lease were capitalized in the amount of \$139,973. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments made during 2012 totaled \$35,295 in the governmental funds.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The assets acquired through capital leases as of December 31, 2012 are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Vehicles	\$ 80,929	\$ 40,374	\$ 40,555
Street Equipment	59,044	17,712	41,332
Totals	\$ 139,973	\$ 58,086	\$ 81,887

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

Year Ending December 31,	Payments
2013	<u>\$ 13,675</u>
Total minimum lease payments	13,675
Less: amount representing interest	<u>(667)</u>
Present value of future minimum lease payments	<u>\$ 13,008</u>

NOTE 11 - LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2012, was as follows:

<u>Business-Type Activities</u>		Balance 12/31/11	Issued	Retired	Balance 12/31/12	Due Within One Year
General Obligation Bonds:						
Series 1999 Water Meter and Equipment Bonds	1.6% - 4.9%	\$ 510,000	\$ -	\$ (55,000)	\$ 455,000	\$ 55,000
Series 2008 Various Purpose Refunding Bonds, \$1,017,500	3.0% - 4.0%	851,400	-	(40,700)	810,700	41,800
Series 2010 General Obligation Bonds, \$1,168,750	2.0% - 4.0%	1,124,550	-	(45,050)	1,079,500	45,900
Total General Obligation Bonds		<u>2,485,950</u>	<u>-</u>	<u>(140,750)</u>	<u>2,345,200</u>	<u>142,700</u>
Ohio Public Works Commission (OPWC) Loan:						
2005 Main Street Sewer Project, \$474,500	0.00%	332,150	-	(23,725)	308,425	23,725
Compensated Absences		45,100	4,204	(12,166)	37,138	2,614
Total Business-Type Activities		<u>\$ 2,863,200</u>	<u>\$ 4,204</u>	<u>\$ (176,641)</u>	<u>\$ 2,690,763</u>	<u>\$ 169,039</u>

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

<u>Governmental Activities</u>		<i>Balance 12/31/11 (as restated)</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance 12/31/12</i>	<i>Due Within One Year</i>
<u>General Obligation Bonds</u>						
2008 Various Purpose						
Refunding Bonds \$6,582,500	3.0% - 4.0%	5,008,600	-	(404,300)	4,604,300	413,200
Premium On Refunding Bonds		49,236	-	(3,077)	46,159	-
2008 Jeffrey Mansion						
Improvement Bonds \$1,330,000	3.0% - 4.0%	1,145,000	-	(55,000)	1,090,000	55,000
2009 Capital Facilities						
Bonds \$7,400,000	2.0% - 4.0%	6,490,000	-	(280,000)	6,210,000	300,000
Premium On Bonds		187,664	-	(11,039)	176,625	-
2010 General Obligation						
Bonds \$5,706,250	2.0% - 4.0%	5,490,450	-	(219,950)	5,270,500	224,100
Premium On Bonds		39,302	-	(2,184)	37,118	-
Total General Obligation Bonds		<u>18,410,252</u>	<u>-</u>	<u>(975,550)</u>	<u>17,434,702</u>	<u>992,300</u>
<u>Ohio Public Works Commission (OPWC) Loans</u>						
2006 North Cassady						
Avenue Reconstruction \$1,496,936	0.00%	1,211,442	-	(73,421)	1,138,021	73,421
2008 Maryland Avenue						
Reconstruction	0.00%	605,461	-	(44,849)	560,612	44,849
2009 Sheridan Avenue/Francis Avenue						
Avenue Improvement	0.00%	581,929	-	(21,960)	559,969	21,960
2012 College and South Cassady						
Improvement	0.00%	-	2,410,087	-	2,410,087	111,369
Total OPWC Loans		<u>2,398,832</u>	<u>2,410,087</u>	<u>(140,230)</u>	<u>4,668,689</u>	<u>251,599</u>
Capital Leases		48,303	-	(35,295)	13,008	13,008
Ohio Police And Fire Pension		351,052	-	(8,967)	342,085	9,352
Compensated Absences		332,834	46,450	(48,875)	330,409	23,253
Total Governmental Activities		<u>21,541,273</u>	<u>2,456,537</u>	<u>(1,208,917)</u>	<u>22,788,893</u>	<u>1,289,512</u>

The City's overall legal debt margin was \$32,183,609, with an unvoted debt margin of \$25,639,411 at December 31, 2012.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for business-type long-term obligations are:

Year Ending December 31,	Business-type Activities						
	Water General Obligation Bonds		Sewer General Obligation Bonds		Sewer OPWC Loans	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2013	\$ 104,700	\$ 61,848	\$ 38,000	\$ 24,372	\$ 23,725	\$ 166,425	\$ 86,220
2014	110,650	58,180	39,000	22,648	23,725	173,375	80,828
2015	110,850	54,219	41,000	20,805	23,725	175,575	75,024
2016	117,550	49,977	41,000	18,803	23,725	182,275	68,780
2017	125,500	44,203	45,000	16,730	23,725	194,225	60,933
2018 - 2022	449,700	152,444	242,000	56,688	118,625	810,325	209,132
2023 - 2027	358,900	87,563	291,000	23,280	71,175	721,075	110,843
2028 - 2030	230,350	18,666	-	-	-	230,350	18,666
Totals	\$ 1,608,200	\$ 527,100	\$ 737,000	\$ 183,326	\$ 308,425	\$ 2,653,625	\$ 710,426

Annual debt service requirements to maturity for governmental long-term obligations are:

Year Ending December 31,	Governmental Activities						
	General Obligation Bonds		Ohio Police and Fire Pension Liability		OPWC Loans	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2013	\$ 992,300	\$ 659,653	\$ 9,352	\$ 14,440	\$ 140,230	\$ 1,141,882	\$ 674,093
2014	1,010,350	632,235	9,754	14,039	140,230	1,160,334	646,274
2015	1,038,150	602,971	10,173	13,620	140,230	1,188,553	616,591
2016	1,056,450	570,298	10,610	13,183	140,229	1,207,289	583,481
2017	1,129,500	529,780	11,066	12,727	140,230	1,280,796	542,507
2018 - 2022	4,823,300	2,099,582	62,880	56,084	701,147	5,587,327	2,155,666
2023 - 2027	5,470,100	1,102,159	77,594	41,369	589,022	6,136,716	1,143,528
2028 - 2032	1,654,650	117,634	95,750	23,211	146,508	1,896,908	140,845
2033 - 2037	-	-	54,906	3,505	109,796	164,702	3,505
2038	-	-	-	-	10,980	10,980	-
Totals	\$ 17,174,800	\$ 6,314,312	\$ 342,085	\$ 192,178	\$ 2,258,602	\$ 19,775,487	\$ 6,506,490

General Obligation Bonds

On April, 30, 2008, the City issued \$1,330,000 in Jeffrey Mansion Improvement general obligation bonds for the purpose of paying the costs of improving and rehabilitating the Jeffrey Mansion at varying rates of interest (3.0 - 4.0 percent). The bonds are serial bonds and were issued for a 19 year period with final maturity in December 2027. The bonds are subject to prior redemption on or after June 1, 2018, by and at the sole option of the City, either in whole or in part (as selected by the City) on any date and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date. Principal and interest is paid from the bond retirement Fund.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds (Continued)

On April 30, 2008, the City issued \$7,600,000 in general obligation bonds for the purpose of advance refunding the 1998 Various Purpose Capital Improvement Bonds, the Main Street Storm Sewer Bond Anticipation Note and the Swimming Pool Bond Anticipation Note. Of this amount \$1,017,500 was an obligation of the business-type activities and \$6,582,500 was an obligation of the governmental activities. The bonds are serial bonds and were issued for a 19 year period with final maturity in December 2027. The bonds are subject to prior redemption on or after June 1, 2018, by and at the sole option of the City, either in whole or in part (as selected by the City) on any date and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date. Principal and interest is paid from the bond retirement fund and the water and sewer enterprise funds. The entire amount of the refunded bonds was repaid, leaving no balance still outstanding on the original debt.

On April 7, 2009, the City issued \$7,400,000 in Capital Facilities general obligation bonds for the purpose of paying the costs of constructing, furnishing and equipping a police station and related facilities, landscaping and otherwise improving the site and acquiring related interests in real estate (2.5 - 5.0 percent). Principal and interest is paid from the bond retirement fund with a final maturity in 2028.

On June 24, 2010, the City issued \$6,875,000 in General Obligation Bonds for the purpose of improving municipal streets by reconstructing, resurfacing, repairing, and improving the same as well as related sidewalks and water improvements (2.0 - 4.0 percent). Principal and interest is paid from the bond retirement fund and the water enterprise fund with final maturity in 2030.

Ohio Public Works Commission (OPWC) Loans

In 2005, the City received loan proceeds from OPWC for the Main Street Sewer Project. This is a zero percent interest general obligation loan. Principal payments are due semi-annually and are paid from the Sewer Enterprise Fund with final maturity in 2025.

In 2006, the City received general obligation loan proceeds from OPWC for the reconstruction of North Cassady Avenue. This is a zero percent interest general obligation loan. Principal payments are due semi-annually and are paid from the Bond Retirement Debt Service Fund with final maturity in 2028.

In 2008, the City received general obligation loan proceeds from OPWC for the reconstruction of Maryland Avenue. This is a zero percent interest general obligation loan. Principal payments are due semi-annually and will be paid from the Bond Retirement Debt Service Fund with final maturity in 2025.

In 2009, the City received general obligation loan proceeds from OPWC for the improvement of Sheridan and Francis Avenues. This is a zero percent interest general obligation loan. Principal payments are due semi-annually and will be paid from the Bond Retirement Debt Service Fund with final maturity in 2038.

In 2012, the City received general obligation loan proceeds from OPWC for the improvement of College Avenue and South Cassady Avenue. This is a zero percent interest general obligation loan. Principal payments are due semi-annually and will be paid from the Bond Retirement Debt Service Fund. The City may borrow up to \$3,118,344, and at December 31, 2012, the City had outstanding borrowings of \$2,410,087.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Ohio Public Works Commission (OPWC) Loans (Continued)

The final loan amount has not been finalized as of December 31, 2012; therefore, a complete schedule of future annual principal and interest requirements is not available.

Ohio Police and Fire Pension Liability

The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. The original liability was \$475,851, with the principal payable semiannually from the Police Pension fund. The liability will be fully retired in May 2035.

Compensated Absences and Capital Leases

Compensated absences will be paid from the General Fund and Street Maintenance Special Revenue Fund, and Water and Sewer Enterprise Funds. Capital leases will be paid from the General Fund. See Note 10 for detail on capital leases and Note 12 for detail on compensated absences.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service. For 2012, Police and dispatchers may carry over 64 hours of vacation leave per year while other City employees may carry over 40 hours of vacation leave per year. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at rates which vary depending upon length of service and can be accumulated up to a limit of 1,920 hours. Upon termination, employees are paid for one-eighth of their accumulated sick leave balance up to 320 hours and one-fourth of their accumulated sick leave balance for hours in excess of 320 hours. Employees are paid based on the pay rate in effect when the hours were earned on a first-in, first-out basis.

Health Care Benefits

During 2012, the City provided its employees group health and prescription drug insurance through Anthem. Life, dental, and vision insurance is provided through Standard Insurance, Delta Dental, and VSP, respectively.

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$300,381, \$319,081, and \$311,374, respectively; 89.79% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$13,941 made by the City and \$9,958 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 13 - PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% for police officers. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers. The City's required contributions for pension obligations to OP&F for police officers for the fiscal years ended December 31, 2012, 2011, and 2010 were \$227,724, \$299,827, and \$306,985, respectively. The full amount has been contributed for 2012, 2011, and 2010.

NOTE 14 – POST-EMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

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

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 14 – POST-EMPLOYMENT BENEFIT PLANS (Continued)

A. Ohio Public Employees Retirement System (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$120,152, \$127,632, and \$172,986, respectively; 89.79% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

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

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 14 – POST-EMPLOYMENT BENEFIT PLANS (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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 required contributions for post-employment healthcare benefits for police officers for the fiscal years ended December 31, 2012, 2011, and 2010 were \$120,560, \$158,732, and \$162,522, respectively. The full amount has been contributed for 2012, 2011, and 2010.

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with Trident Argonaut for real property, building contents, vehicles, general liability, and police professional liability. The City also carries public official's liability insurance. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

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

NOTE 16 - CONTINGENCIES

A. Litigation

The City is not party to any legal proceedings.

B. Federal and State Grants

For the period January 1, 2012, to December 31, 2012, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would not have a material impact on the financial statements.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (non-GAAP budgetary basis) presented for the General Fund, Police Pension Fund and Road and Sidewalks Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>
Budget basis	\$ (1,184,826)	\$ (57,888)	\$ 282,964
Net adjustment for revenue accruals	(1,405,904)	-	-
Net adjustment for expenditure accruals	424,680	110,363	(10,000)
Funds budgeted elsewhere	158,738	-	-
Adjustment for encumbrances	<u>485,807</u>	<u>-</u>	<u>125,000</u>
GAAP basis	<u>\$ (1,521,505)</u>	<u>\$ 52,475</u>	<u>\$ 397,964</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the recreation fund, swimming pool fund, community events fund and Maryanna Holbrook Scholarship fund.

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 18 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General Fund	\$ 440,221
Roads and Sidewalks	115,000
Nonmajor governmental	<u>276,076</u>
Total	<u>\$ 831,297</u>

NOTE 19 - FUND BALANCE

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

**CITY OF BEXLEY
FRANKLIN COUNTY**

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

NOTE 19 - FUND BALANCE (Continued)

Fund balance	General	Police Pension	Roads and Sidewalks	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 5,329	\$ -	\$ -	\$ -	\$ 26,836	\$ 32,165
Unclaimed monies	9,844	-	-	-	-	9,844
Total nonspendable	<u>15,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,836</u>	<u>42,009</u>
Restricted:						
Police programs	-	-	-	-	20,632	20,632
Police pension	-	110,376	-	-	-	110,376
Streets and transportation	-	-	1,025,888	-	520,433	1,546,321
Other purposes	-	-	-	-	770,784	770,784
Total restricted	<u>-</u>	<u>110,376</u>	<u>1,025,888</u>	<u>-</u>	<u>1,311,849</u>	<u>2,448,113</u>
Committed:						
Community environment	-	-	-	-	9,660	9,660
Leisure time activity	-	-	-	-	1,208	1,208
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,868</u>	<u>10,868</u>
Assigned:						
Debt service	-	-	-	420,137	-	420,137
Capital improvements	-	-	-	-	48,799	48,799
General government	104,006	-	-	-	-	104,006
Security of persons and property	51,518	-	-	-	-	51,518
Community environment	3,234	-	-	-	-	3,234
Leisure time activity	559,287	-	-	-	-	559,287
Capital outlay	256,860	-	-	-	-	256,860
Other purposes	699	-	-	-	-	699
Subsequent year appropriations	84,302	-	-	-	-	84,302
Total assigned	<u>1,059,906</u>	<u>-</u>	<u>-</u>	<u>420,137</u>	<u>48,799</u>	<u>1,528,842</u>
Unassigned	<u>2,409,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,409,625</u>
Total fund balances	<u>\$ 3,484,704</u>	<u>\$ 110,376</u>	<u>\$ 1,025,888</u>	<u>\$ 420,137</u>	<u>\$ 1,398,352</u>	<u>\$ 6,439,457</u>



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 Bexley
Franklin County
2242 East Main Street
Bexley, Ohio 43209

To the City 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 Bexley, Franklin County, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 6, 2013, wherein we noted the City adopted provisions of Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

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*.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

August 6, 2013

**CITY OF BEXLEY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding 2012-01

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the City's Fiscal Officer and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2012 financial statements and, where applicable, to the City's accounting records:

1. Understatement of College and South Cassady Project fund capital outlay expenses and debt proceeds by \$282,531, and Governmental Activities capital assets and long term liabilities due more than one year by \$282,531.
2. Reclassification of Business Type Activities and Water Fund from Unrestricted Net Position to Investment in Capital Assets in the amount of \$455,000.

The following audit adjustments were not material to the City's December 31, 2012 financial statements and were not made to the City's accounting records:

1. Reclassification of Governmental Type Activities of long-term liabilities due within one year to long-term liabilities due in more than one year for \$111,369.
2. Overstatement of Governmental Type Activities intergovernmental receipts and transportation expenses of \$7,677 and College and South Cassady Ave. Fund intergovernmental receipts and capital outlay for \$7,677.
3. Understatement of Governmental Type Activities intergovernmental receipts and transportation expenses of \$14,544 and College and South Cassady Ave. Fund intergovernmental receipts and capital outlay for \$14,544.
4. Reclassification of Governmental Type Activities Net Position from Unrestricted to Investment in Capital Assets in the amount of \$213,743.

Lack or failure of controls in place over the posting of financial transactions and financial reporting can result in errors that may go undetected and decreases the reliability of financial data throughout the year.

CITY OF BEXLEY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding 2012-01 (Continued)

Financial Reporting – Material Weakness (Continued)

We recommend the City continue to develop and enhance policies and procedures to further enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data throughout the year. We also recommend the City enhance/implement additional procedures over the completeness and accuracy of financial information reported within the City's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Official Response: The City of Bexley has a small, two person finance staff and relies on qualified third party accounting firms to complete the General Purpose Financial Statements. For 2012, Julian and Grube, Inc. was retained to compile the City's financial statements and they agree with these adjustments. Adjustment 1 in the first group above and adjustments 1, 2, and 3 in the second group all relate to the same issue, the City's OPWC project, which is strictly a pass-through of activity.



Dave Yost • Auditor of State

CITY OF BEXLEY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 10, 2013