



Dave Yost • Auditor of State

**CITY OF BELLEFONTAINE
LOGAN COUNTY
DECEMBER 31, 2017**

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DECEMBER 31, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio (the City), as of and for the year ended December 31, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Department Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

This discussion and analysis of the City of Bellefontaine's (City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$68.0 million (net position). Of this amount, \$4.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$2.0 million during the year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$10.0 million, an increase of approximately \$1.8 million in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.8 million, or 47 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City of Bellefontaine as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The City's governmental activities are accounted for in 49 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Improvement, Reconstruction Improvement and Street Department Fund, which are considered to be the City's major governmental funds. Data from the other 45 governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the basic financial statements

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

**TABLE 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 10,912,224	\$ 13,475,797	\$ 7,094,541	\$ 7,373,065	\$ 18,006,765	\$ 20,848,862
Capital assets	28,101,819	27,546,028	36,917,789	37,404,723	65,019,608	64,950,751
Net pension asset	13,873	15,730	-	-	13,873	15,730
Total Assets	39,027,916	41,037,555	44,012,330	44,777,788	83,040,246	85,815,343
Deferred Outflows of Resources	3,099,837	2,946,313	807,166	1,030,557	3,907,003	3,976,870
Current liabilities	302,821	381,256	394,933	409,917	697,754	791,173
Long-term liabilities	2,186,666	2,034,914	4,175,546	3,877,801	6,362,212	5,912,715
Net pension liability	10,886,727	11,386,980	2,289,498	2,813,475	13,176,225	14,200,455
Total Liabilities	13,376,214	13,803,150	6,859,977	7,101,193	20,236,191	20,904,343
Deferred Inflows of Resources	671,117	863,478	83,878	63,871	754,995	927,349
Net Position:						
Net Investment in capital assets	27,069,722	26,651,181	33,158,235	33,976,345	60,227,957	60,627,526
Restricted	2,315,617	3,649,171	-	-	2,315,617	3,649,171
Unrestricted	(1,304,917)	(983,112)	4,717,406	4,666,936	3,412,489	3,683,824
Total Net Position	\$ 28,080,422	\$ 29,317,240	\$ 37,875,641	\$ 38,643,281	\$ 65,956,063	\$ 67,960,521

In the Government Activities, current and other assets increased significantly, primarily as a result of an increase in Pooled Cash and Cash Equivalents from operations and an increase in notes receivable from Mary Rutan Hospital.

In the Business-type Activities, long-term liabilities decreased significantly, primarily due to principal payments of \$331,176 during the year.

Net pension liability increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of a change in actuarial assumptions, as reported by the pension systems.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

By far the largest portion of the City's net position (89 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 shows the changes in net position for the year ended December 31, 2017 and 2016.

**TABLE 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program revenues:						
Charges for services	\$ 1,340,873	\$ 1,747,059	\$ 6,570,408	\$ 6,895,125	\$ 7,911,281	\$ 8,642,184
Grants and contributions	1,833,246	1,806,884	-	244,718	1,833,246	2,051,602
General revenues:						
Property taxes	595,535	623,807	-	-	595,535	623,807
Income taxes	6,518,320	6,043,575	-	-	6,518,320	6,043,575
Other local taxes	59,402	70,275	-	-	59,402	70,275
Unrestricted grants	210,618	209,377	-	-	210,618	209,377
Investment earnings	209,985	94,892	-	-	209,985	94,892
Other	257,574	483,099	134,638	178,697	392,212	661,796
Gain on Sale of Capital Assets	-	-	-	44,398	-	44,398
Total revenues	<u>11,025,553</u>	<u>11,078,968</u>	<u>6,705,046</u>	<u>7,362,938</u>	<u>17,730,599</u>	<u>18,441,906</u>
Expenses:						
General government	2,544,854	2,532,323	-	-	2,544,854	2,532,323
Public safety	5,003,993	5,204,440	-	-	5,003,993	5,204,440
Public works	194,386	281,192	-	-	194,386	281,192
Health	165,236	174,092	-	-	165,236	174,092
Conservation and recreation	668,473	797,256	-	-	668,473	797,256
Economic development	95,763	91,522	-	-	95,763	91,522
Transportation	1,256,209	1,525,830	-	-	1,256,209	1,525,830
Interest on long-term debt	14,327	13,189	-	-	14,327	13,189
Water	-	-	2,021,645	2,264,501	2,021,645	2,264,501
Sewer	-	-	2,318,118	2,702,812	2,318,118	2,702,812
Airport	-	-	280,055	368,083	280,055	368,083
Garbage	-	-	889,828	898,161	889,828	898,161
Ambulance	-	-	447,209	575,528	447,209	575,528
Other	-	-	7,456	8,519	7,456	8,519
Total expenses	<u>9,943,241</u>	<u>10,619,844</u>	<u>5,964,311</u>	<u>6,817,604</u>	<u>15,907,552</u>	<u>17,437,448</u>
Increase/Decrease in net position before transfers and Special Item	1,082,312	459,124	740,735	545,334	1,823,047	1,004,458
Transfers	(112,714)	(222,306)	112,714	222,306	-	-
Special Item	-	1,000,000	-	-	-	1,000,000
Change in net position	<u>\$ 969,598</u>	<u>\$ 1,236,818</u>	<u>\$ 853,449</u>	<u>\$ 767,640</u>	<u>\$ 1,823,047</u>	<u>\$ 2,004,458</u>
Net position, beginning	27,110,824	28,080,422	37,022,192	37,875,641	64,133,016	65,956,063
Net position, ending	<u>\$ 28,080,422</u>	<u>\$ 29,317,240</u>	<u>\$ 37,875,641</u>	<u>\$ 38,643,281</u>	<u>\$ 65,956,063</u>	<u>\$ 67,960,521</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

In the governmental activities, other general revenues increased significantly in comparison with the prior year. This increase is the result of the transfer of land to Mary Rutan Hospital. In addition, total expenses increased significantly in comparison with the prior year. This increase is primarily the result of an increase in pension expense, as reported by the pension systems.

Total expenses increased significantly in comparison with the prior year. This increase is primarily the result of an increase in pension expense.

Total versus Net Cost of Services

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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2016	2017	2016	2017
Governmental Activities:				
General government	\$ (2,544,854)	\$ (2,532,323)	\$ (1,425,016)	\$ (1,256,962)
Public safety	(5,003,993)	(5,204,440)	(4,746,662)	(4,738,031)
Public works	(194,386)	(281,192)	(194,386)	(281,192)
Health	(165,236)	(174,092)	(115,028)	(110,500)
Conservation and recreation	(668,473)	(797,256)	(491,869)	(616,873)
Economic development	(95,763)	(91,522)	(63,983)	(78,567)
Transportation	(1,256,209)	(1,525,830)	282,149	29,413
Interest on long-term debt	(14,327)	(13,189)	(14,327)	(13,189)
Total Governmental Activities	(9,943,241)	(10,619,844)	(6,769,122)	(7,065,901)
Business-Type Activities:				
Water	(2,021,645)	(2,264,501)	62,734	64,097
Sewer	(2,318,118)	(2,702,812)	483,243	99,666
Airport	(280,055)	(368,083)	(148,405)	50,045
Garbage	(889,828)	(898,161)	108,471	114,731
Ambulance	(447,209)	(575,528)	98,059	(6,602)
Other	(7,456)	(8,519)	1,995	302
Total Business-Type Activities	(5,964,311)	(6,817,604)	606,097	322,239
Grand Total	\$ (15,907,552)	\$ (17,437,448)	\$ (6,163,025)	\$ (6,743,662)

In the governmental activities, the City's reliance upon general tax revenues is demonstrated by the net cost of services column above reflecting the need for approximately \$7.1 million of support.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.0 million, an approximately \$1.8 million increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2017 and 2016.

	<u>Fund Balance 12/31/2016</u>	<u>Fund Balance 12/31/2017</u>	<u>Increase (Decrease)</u>
General	\$ 3,709,498	\$ 4,267,158	\$ 557,660
Capital improvements	2,517,776	2,604,256	86,480
Reconstruction Improvement	(233,707)	350,006	583,713
Street Department	455,773	444,372	(11,401)
Other Governmental	1,815,137	2,357,944	542,807
Total	<u>\$ 8,264,477</u>	<u>\$ 10,023,736</u>	<u>\$ 1,759,259</u>

General Fund

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$3.8 million, or 47 percent of total general fund expenditures. The fund balance of the City's general fund increased \$557,660 during the current year. This represents the amount in which revenues exceeded expenditures and operating transfers.

Capital Improvements Fund

The Capital Improvements Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement funds' fund balance increased \$86,480 during the fiscal year. This increase is primarily the result of \$100,000 received from Mary Rutan Hospital related to land purchased.

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement funds' fund balance increased \$583,713 during the year. For the most part, this increase represents the amount in which intergovernmental revenues exceeded capital outlays.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Street Department Fund

The Street Department Fund accounts for the accumulation of financial resources to be used for the construction and maintenance of city streets. The street department funds' fund balance decreased \$11,401 during the year. This decrease is a result of transportation expenditures exceeding intergovernmental revenues and other revenue in the fund.

Other Governmental Funds

The fund balance of the City's Other Governmental Funds increased \$542,807 in comparison with the prior year. This increase represents the amount in which program revenues, proceeds from the sale of capital assets, and transfers from the General Fund exceeded program expenditures during the year.

Proprietary Funds

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

Total net position in the Water Fund was \$10.5 million at year-end, an increase of \$214,430 in comparison with the prior year. This increase primarily consists of operating income of \$212,553.

Total net position in the Sewer Fund was \$16.5 million at year-end, an increase of \$60,390 in comparison with the prior year. This increase primarily consists of operating income of \$151,584 during the year, offset by transfers and interest and fiscal charges.

Total net position in the Airport Fund was \$9.5 million at year-end, an increase of \$289,095 in comparison with the prior year. This increase primarily consists of an operating loss of \$129,831 during the year, offset by transfers in from the General Fund totaling \$225,000 and grant income of \$204,718.

Total net position in the Garbage Fund was \$1.3 million at year-end, an increase of \$144,668 in comparison with the prior year. This increase represents operating income.

Total net position in the Ambulance Fund was \$496,960 at year-end, an increase of \$1,013 in comparison with the prior year. This increase primarily consists of an operating loss of \$37,932 during the year, offset by grant income of \$40,000.

Total net position in the Nonmajor Enterprise Funds at the end of the year amounted to \$302,862, an increase of \$58,044 in comparison with the prior year. By far, the most significant nonmajor enterprise fund is the parking meter fund. Total net position of the parking meter fund increased \$73,648 during the year as a result of capital assets transfers in from the General Fund.

General Fund Budgetary Information

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

The City's actual revenues and other financing sources exceeded the final amended revenue estimate by \$834,576. The final amended appropriations exceeded actual expenditures and other financing uses by \$418,580. The variance between the final amended appropriations and the original appropriation resolution was insignificant.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2017 totals \$27.5 million (net of accumulated depreciation), a decrease of \$555,791 in comparison with the prior year. This investment in capital assets includes land, land improvements, buildings, building components, equipment, furniture, vehicles, and infrastructure. This decrease represents the amount in which depreciation (\$1.1 million) and disposals (\$155,437) exceeded current year acquisitions (\$664,740) and transfers (\$2,694).

The City's investment in capital assets for business-type activities as of December 31, 2017 totals \$37.4 million (net of accumulated depreciation), an increase of \$486,934 in comparison with the prior year. This increase represents the amount in which current year acquisitions (\$1.8 million) exceeded depreciation (\$1.3 million), transfers (\$2,694), and disposals (\$29,660).

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

Debt

At the end of the current year, the City had total debt outstanding of \$4.3 million. Of this amount, \$3.5 million represents bonds backed by the full faith and credit of the City and the remaining \$799,226 represents interest free loans.

Detailed information regarding long-term debt is included in Note 9 to the basic financial statements.

Contacting the City Auditor's Department

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 10,006,946	\$ 5,284,686	\$ 15,291,632
Investments	85,900	-	85,900
Receivables:			
Taxes	2,069,680	-	2,069,680
Accounts	38,072	1,691,625	1,729,697
Intergovernmental	417,088	20,472	437,560
Interest	30,239	-	30,239
Note	800,000	-	800,000
Internal balances	(200,000)	200,000	-
Materials and supplies inventory	87,695	157,239	244,934
Prepaid items	140,177	19,043	159,220
Nondepreciable capital assets	8,013,675	1,808,665	9,822,340
Depreciable capital assets, net	19,532,353	35,596,058	55,128,411
Net Pension Asset	15,730	-	15,730
Total assets	<u>41,037,555</u>	<u>44,777,788</u>	<u>85,815,343</u>
Deferred Outflows of Resources			
Pension	2,946,313	1,030,557	3,976,870
Total Deferred Outflows of Resources	<u>2,946,313</u>	<u>1,030,557</u>	<u>3,976,870</u>
Liabilities			
Accounts payable	157,494	113,156	270,650
Accrued wages and benefits	126,214	40,290	166,504
Intergovernmental payable	93,520	27,864	121,384
Interest payable	1,068	8,058	9,126
Retainage payable	2,960	20,140	23,100
Refundable deposits	-	200,409	200,409
Long-term liabilities			
Due within one year	551,074	497,530	1,048,604
Due in more than one year	1,483,840	3,380,271	4,864,111
Net pension liability	11,386,980	2,813,475	14,200,455
Total liabilities	<u>13,803,150</u>	<u>7,101,193</u>	<u>20,904,343</u>
Deferred Inflows of Resources:			
Property and other local taxes	608,691	-	608,691
Pension	254,787	63,871	318,658
Total deferred inflows of resources	<u>863,478</u>	<u>63,871</u>	<u>927,349</u>
Net Position			
Net investment in capital assets	26,651,181	33,976,345	60,627,526
Restricted for:			
Capital projects	583,156	-	583,156
Street maintenance and repair	711,915	-	711,915
Public safety	327,318	-	327,318
Economic development	602,821	-	602,821
Health	423,460	-	423,460
Judicial	1,000,501	-	1,000,501
Unrestricted	(983,112)	4,666,936	3,683,824
Total net position	<u>\$ 29,317,240</u>	<u>\$ 38,643,281</u>	<u>\$ 67,960,521</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,532,323	\$ 1,087,816	\$ 187,545	\$ -
Public safety	5,204,440	393,315	73,094	-
Public works	281,192	-	-	-
Health	174,092	62,872	720	-
Conservation and recreation	797,256	180,383	-	-
Economic development	91,522	12,955	-	-
Transportation	1,525,830	9,718	577,660	967,865
Interest on long-term debt	13,189	-	-	-
Total governmental activities	<u>10,619,844</u>	<u>1,747,059</u>	<u>839,019</u>	<u>967,865</u>
Business-type Activities:				
Water	2,264,501	2,328,598	-	-
Sewer	2,702,812	2,802,478	-	-
Airport	368,083	213,410	-	204,718
Garbage	898,161	1,012,892	-	-
Ambulance	575,528	528,926	-	40,000
Other	8,519	8,821	-	-
Total business-type activities	<u>6,817,604</u>	<u>6,895,125</u>	<u>-</u>	<u>244,718</u>
Total government	<u>\$ 17,437,448</u>	<u>\$ 8,642,184</u>	<u>\$ 839,019</u>	<u>\$ 1,212,583</u>

General Revenues:
Property taxes
Income taxes
Other local taxes
Unrestricted grants and entitlements
Unrestricted investment earnings
Other unrestricted revenues
Gain on Disposal of Capital Assets
Transfers
Total general revenues and transfers

Special Item

Change in net position

Net position at beginning of year
Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,256,962)	\$ -	\$ (1,256,962)
(4,738,031)	-	(4,738,031)
(281,192)	-	(281,192)
(110,500)	-	(110,500)
(616,873)	-	(616,873)
(78,567)	-	(78,567)
29,413	-	29,413
(13,189)	-	(13,189)
<u>(7,065,901)</u>	<u>-</u>	<u>(7,065,901)</u>
-	64,097	64,097
-	99,666	99,666
-	50,045	50,045
-	114,731	114,731
-	(6,602)	(6,602)
-	302	302
<u>-</u>	<u>322,239</u>	<u>322,239</u>
<u>(7,065,901)</u>	<u>322,239</u>	<u>(6,743,662)</u>
623,807	-	623,807
6,043,575	-	6,043,575
70,275	-	70,275
209,377	-	209,377
94,892	-	94,892
483,099	178,697	661,796
-	44,398	44,398
<u>(222,306)</u>	<u>222,306</u>	<u>-</u>
<u>7,302,719</u>	<u>445,401</u>	<u>7,748,120</u>
1,000,000	-	1,000,000
<u>1,236,818</u>	<u>767,640</u>	<u>2,004,458</u>
28,080,422	37,875,641	65,956,063
<u>\$ 29,317,240</u>	<u>\$ 38,643,281</u>	<u>\$ 67,960,521</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Assets:				
Pooled cash and cash equivalents	\$ 3,421,296	\$ 2,492,256	\$ 550,006	\$ 402,488
Investments	-	-	-	-
Receivables:				
Taxes	1,877,575	-	-	-
Accounts	19,500	-	-	-
Intergovernmental	113,063	-	-	263,487
Interest	30,239	-	-	-
Note	-	400,000	-	-
Prepaid items	30,196	-	-	2,427
Materials and supplies inventory	-	-	-	87,695
Advances to other funds	-	112,000	-	-
Total assets	\$ 5,491,869	\$ 3,004,256	\$ 550,006	\$ 756,097
Liabilities:				
Accounts payable	\$ 74,841	\$ -	\$ -	\$ 18,340
Accrued wages and benefits	120,144	-	-	3,371
Intergovernmental payable	89,218	-	-	2,356
Retainage payable	-	-	-	-
Advances from other funds	-	-	200,000	112,000
Total liabilities	284,203	-	200,000	136,067
Deferred Inflows of Resources:				
Unavailable revenue	508,040	400,000	-	175,658
Property and other local taxes	432,468	-	-	-
Total deferred inflows of resources	940,508	400,000	-	175,658
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	87,695
Prepaid items	30,196	-	-	2,427
Advances	-	112,000	-	-
Restricted for:				
Capital projects	-	-	350,006	-
Street maintenance and repair	-	-	-	354,250
Public safety	-	-	-	-
Economic development	-	-	-	-
Health	-	-	-	-
Judicial	-	-	-	-
Conservation and recreation	-	-	-	-
Assigned for:				
Conservation and recreation	82,207	-	-	-
Capital projects	157,203	2,492,256	-	-
General government	180,976	-	-	-
Judicial	2,268	-	-	-
Public safety	37,444	-	-	-
Public works	202	-	-	-
Transportation	5,037	-	-	-
Economic Development	1,433	-	-	-
Unassigned	3,770,192	-	-	-
Total fund balances	4,267,158	2,604,256	350,006	444,372
Total liabilities, deferred inflows, and fund balances	\$ 5,491,869	\$ 3,004,256	\$ 550,006	\$ 756,097

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,291,963	\$ 9,158,009
85,900	85,900
192,105	2,069,680
18,572	38,072
40,538	417,088
-	30,239
400,000	800,000
192	32,815
-	87,695
-	112,000
<u>\$ 3,029,270</u>	<u>\$ 12,831,498</u>
\$ 49,313	\$ 142,494
2,699	126,214
1,946	93,520
2,960	2,960
-	312,000
<u>56,918</u>	<u>677,188</u>
438,185	1,521,883
176,223	608,691
<u>614,408</u>	<u>2,130,574</u>
-	87,695
192	32,815
-	112,000
141,005	491,011
77,664	431,914
322,866	322,866
202,821	202,821
416,455	416,455
1,080,059	1,080,059
9,066	9,066
4,384	86,591
103,432	2,752,891
-	180,976
-	2,268
-	37,444
-	202
-	5,037
-	1,433
-	3,770,192
<u>2,357,944</u>	<u>10,023,736</u>
<u>\$ 3,029,270</u>	<u>\$ 12,831,498</u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total Governmental Fund Balances	\$ 10,023,736
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,546,028
The net pension asset is not a financial resource and therefore is not reported in the funds.	15,730
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent property taxes receivable	52,465
Income taxes receivable	345,226
Accounts receivable	26,425
Intergovernmental receivable	280,529
Interest receivable	17,238
Note receivable	800,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized premium on bonds	(2,720)
Internal service funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	941,299
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows - pension	2,946,313
Deferred inflows - pension	(254,787)
Net pension liability	(11,386,980)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,137,347)
General obligation debt	(894,847)
Accrued interest payable	(1,068)
 Net Position of Governmental Activities	 <u>\$ 29,317,240</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Street Department Fund
Revenues:				
Property taxes	\$ 460,012	\$ -	\$ -	\$ -
Income taxes	6,350,064	-	-	-
Other local taxes	30,000	-	-	-
Charges for services	538,799	-	-	-
Licenses, permits and fees	98,176	-	-	-
Fines and forfeitures	791,781	-	-	-
Intergovernmental	212,168	-	658,108	530,190
Interest	35,705	40,176	3,238	5,525
Rent	-	-	-	-
Donations and contributions	-	-	-	-
Refunds and reimbursements	161,688	-	-	8,667
Other	169,159	-	-	973
Total revenues	<u>8,847,552</u>	<u>40,176</u>	<u>661,346</u>	<u>545,355</u>
Expenditures:				
General government:				
Legislative and executive	1,285,773	-	-	-
Judicial	653,002	-	-	-
Public safety	4,697,148	-	-	-
Public works	24,016	-	-	-
Health	109,290	-	-	-
Conservation and recreation	568,209	-	-	-
Economic development	57,267	-	-	-
Transportation	323,077	-	-	481,083
Capital outlay	183,688	-	77,633	75,673
Debt service:				
Principal retirement	33,123	53,696	-	-
Interest and fiscal charges	13,641	-	-	-
Total expenditures	<u>7,948,234</u>	<u>53,696</u>	<u>77,633</u>	<u>556,756</u>
Excess (Deficiency) of revenues over (under) expenditures	899,318	(13,520)	583,713	(11,401)
Other financing sources (uses):				
Proceeds from sale of capital assets	54,256	100,000	-	-
Transfers in	-	-	-	-
Transfers out	(395,914)	-	-	-
Total other financing sources (uses)	<u>(341,658)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Net Change in fund balances	557,660	86,480	583,713	(11,401)
Fund balance at beginning of year	3,709,498	2,517,776	(233,707)	455,773
Fund balance at end of year	<u>\$ 4,267,158</u>	<u>\$ 2,604,256</u>	<u>\$ 350,006</u>	<u>\$ 444,372</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 168,076	\$ 628,088
-	6,350,064
40,275	70,275
36,504	575,303
172,382	270,558
154,545	946,326
243,371	1,643,837
5,457	90,101
24,095	24,095
60,935	60,935
-	170,355
19,298	189,430
<u>924,938</u>	<u>11,019,367</u>
-	1,285,773
278,778	931,780
50,036	4,747,184
-	24,016
49,660	158,950
22,579	590,788
34,255	91,522
28,066	832,226
138,828	475,822
50,431	137,250
412	14,053
<u>653,045</u>	<u>9,289,364</u>
271,893	1,730,003
100,000	254,256
170,914	170,914
-	(395,914)
<u>270,914</u>	<u>29,256</u>
542,807	1,759,259
1,815,137	8,264,477
<u>\$ 2,357,944</u>	<u>\$ 10,023,736</u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 1,759,259
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays	664,740
Depreciation	(1,067,788)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.	(152,743)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	(4,281)
Income taxes	(306,489)
Charges for services	(200)
Intergovernmental revenues	1,732
Interest revenues	4,791
Licenses, permits and fees	35
Sale of land to Mary Rutan	800,000
Repayment of bond principal and payments toward pension obligations are expenditures in the government funds, but the repayment reduces long-term liabilities of net position and does not result in an expense in the statement of activities.	137,250
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	900,243
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,721,622)
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of premium on bonds	480
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.	207,005
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated absences	14,022
Accrued interest	384
Change in Net Position of Governmental Activities	\$ 1,236,818

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 432,000	\$ 432,000	\$ 453,475	\$ 21,475
Income taxes	6,040,000	6,040,000	6,433,713	393,713
Other local taxes	15,000	15,000	30,000	15,000
Charges for services	383,300	383,300	354,759	(28,541)
Licenses, permits and fees	94,000	94,000	98,176	4,176
Fines and forfeitures	740,000	740,000	791,781	51,781
Intergovernmental	230,000	230,000	214,252	(15,748)
Interest	60,000	60,000	123,532	63,532
Refunds and reimbursements	400,000	400,000	511,688	111,688
Other	5,700	5,700	168,944	163,244
Total revenues	<u>8,400,000</u>	<u>8,400,000</u>	<u>9,180,320</u>	<u>780,320</u>
Expenditures				
General government:				
Legislative and executive	1,544,770	1,620,871	1,566,439	54,432
Judicial	715,439	715,439	657,426	58,013
Public safety	4,488,186	4,742,087	4,707,809	34,278
Public works	281,173	276,580	275,589	991
Health	115,000	109,500	109,290	210
Economic development	58,700	58,700	58,700	-
Transportation	343,331	361,331	341,166	20,165
Capital outlay	133,478	340,256	333,727	6,529
Debt service:				
Principal retirement	33,123	33,123	33,123	-
Interest and fiscal charges	13,641	13,641	13,641	-
Total expenditures	<u>7,726,841</u>	<u>8,271,528</u>	<u>8,096,910</u>	<u>174,618</u>
Excess of Revenues Over/ (Under) Expenditures	673,159	128,472	1,083,410	954,938
Other Financing Sources/(Uses)				
Proceeds from sale of capital assets	-	-	54,256	54,256
Transfers out	(828,500)	(1,422,376)	(1,178,414)	243,962
Total other financing sources/(uses)	<u>(828,500)</u>	<u>(1,422,376)</u>	<u>(1,124,158)</u>	<u>298,218</u>
Net change in fund balance	(155,341)	(1,293,904)	(40,748)	1,253,156
Fund balances at beginning of year	2,518,267	2,518,267	2,518,267	-
Prior year encumbrances appropriated	156,395	156,395	156,395	-
Fund balances at end of year	<u>\$ 2,519,321</u>	<u>\$ 1,380,758</u>	<u>\$ 2,633,914</u>	<u>\$ 1,253,156</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Intergovernmental	\$ 525,000	\$ 525,000	\$ 527,976	\$ 2,976
Interest	5,000	5,000	5,525	525
Refunds and reimbursements	-	-	8,667	8,667
Other	-	-	973	973
Total revenues	<u>530,000</u>	<u>530,000</u>	<u>543,141</u>	<u>13,141</u>
Expenditures				
Transportation	751,425	750,752	560,378	190,374
Capital outlay	75,000	75,673	75,673	-
Total expenditures	<u>826,425</u>	<u>826,425</u>	<u>636,051</u>	<u>190,374</u>
Excess of revenues over/ (under) expenditures	(296,425)	(296,425)	(92,910)	203,515
Other Financing Uses				
Advance out	(28,000)	(28,000)	(28,000)	-
Total other financing uses	<u>(28,000)</u>	<u>(28,000)</u>	<u>(28,000)</u>	<u>-</u>
Net change in fund balance	(324,425)	(324,425)	(120,910)	203,515
Fund balances at beginning of year	310,481	310,481	310,481	-
Prior year encumbrances appropriated	117,881	117,881	117,881	-
Fund balances at end of year	<u>\$ 103,937</u>	<u>\$ 103,937</u>	<u>\$ 307,452</u>	<u>\$ 203,515</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current assets:				
Pooled cash and cash equivalents	\$ 1,188,337	\$ 2,387,067	\$ 132,369	\$ 1,129,276
Receivables:				
Accounts	474,582	600,223	36,449	114,850
Intergovernmental	-	-	20,472	-
Prepaid items	9,408	3,104	375	-
Materials and supplies inventory	136,807	20,432	-	-
Total current assets	<u>1,809,134</u>	<u>3,010,826</u>	<u>189,665</u>	<u>1,244,126</u>
Noncurrent assets:				
Advances to other funds	-	200,000	-	-
Depreciable capital assets, net	9,758,760	15,606,214	9,469,336	211,357
Nondepreciable capital assets	719,204	127,536	745,305	-
Total noncurrent assets	<u>10,477,964</u>	<u>15,933,750</u>	<u>10,214,641</u>	<u>211,357</u>
Total assets	<u>12,287,098</u>	<u>18,944,576</u>	<u>10,404,306</u>	<u>1,455,483</u>
Deferred Outflows of Resources				
Pension	367,280	441,735	-	66,034
Total Deferred Outflows of Resources	<u>367,280</u>	<u>441,735</u>	<u>-</u>	<u>66,034</u>
Liabilities				
Current liabilities:				
Accounts payable	20,647	20,716	5,641	28,264
Accrued wages and benefits	14,794	12,702	-	1,965
Intergovernmental payable	9,676	9,450	-	1,308
Interest payable	2,654	3,554	1,850	-
Retainage payable	3,173	16,967	-	-
Refundable deposits	-	-	-	-
Notes payable	712	22,920	-	-
Bonds payable	84,124	112,635	120,064	-
Compensated absences	51,532	60,201	-	16,214
Total current liabilities	<u>187,312</u>	<u>259,145</u>	<u>127,555</u>	<u>47,751</u>
Noncurrent liabilities:				
Notes payable	4,629	268,560	-	-
Bonds payable	898,117	1,202,505	730,271	-
Compensated absences	143,201	87,048	-	2,366
Net pension liability	893,345	1,084,094	-	160,321
Total Noncurrent Liabilities	<u>1,939,292</u>	<u>2,642,207</u>	<u>730,271</u>	<u>162,687</u>
Total liabilities	<u>2,126,604</u>	<u>2,901,352</u>	<u>857,826</u>	<u>210,438</u>
Deferred Inflows of Resources				
Pension	16,357	9,522	-	954
Total Deferred Inflows of Resources	<u>16,357</u>	<u>9,522</u>	<u>-</u>	<u>954</u>
Net Position				
Net investment in capital assets	9,497,139	14,136,178	9,364,660	211,357
Unrestricted	1,014,278	2,339,259	181,820	1,098,768
Total net position	<u>\$ 10,511,417</u>	<u>\$ 16,475,437</u>	<u>\$ 9,546,480</u>	<u>\$ 1,310,125</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Fund
\$ 226,766	\$ 220,871	\$ 5,284,686	\$ 848,937
-	-	-	-
465,521	-	1,691,625	-
-	-	20,472	-
6,075	81	19,043	107,362
-	-	157,239	-
<u>698,362</u>	<u>220,952</u>	<u>7,173,065</u>	<u>956,299</u>
-	-	200,000	-
477,432	72,959	35,596,058	-
-	216,620	1,808,665	-
<u>477,432</u>	<u>289,579</u>	<u>37,604,723</u>	<u>-</u>
<u>1,175,794</u>	<u>510,531</u>	<u>44,777,788</u>	<u>956,299</u>
153,370	2,138	1,030,557	-
<u>153,370</u>	<u>2,138</u>	<u>1,030,557</u>	<u>-</u>
36,760	1,128	113,156	15,000
10,743	86	40,290	-
7,345	85	27,864	-
-	-	8,058	-
-	-	20,140	-
-	200,409	200,409	-
-	-	23,632	-
-	-	316,823	-
29,128	-	157,075	-
<u>83,976</u>	<u>201,708</u>	<u>907,447</u>	<u>15,000</u>
-	-	273,189	-
-	-	2,830,893	-
43,574	-	276,189	-
670,946	4,769	2,813,475	-
<u>714,520</u>	<u>4,769</u>	<u>6,193,746</u>	<u>-</u>
<u>798,496</u>	<u>206,477</u>	<u>7,101,193</u>	<u>15,000</u>
33,708	3,330	63,871	-
<u>33,708</u>	<u>3,330</u>	<u>63,871</u>	<u>-</u>
477,432	289,579	33,976,345	-
19,528	13,283	4,666,936	941,299
<u>\$ 496,960</u>	<u>\$ 302,862</u>	<u>\$ 38,643,281</u>	<u>\$ 941,299</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Operating Revenues				
Charges for services	\$ 2,326,718	\$ 2,800,670	\$ 57,686	\$ 1,012,892
Refunds and reimbursements	1,880	1,808	-	-
Rental income	-	-	155,724	-
Other operating revenue	115,915	8,346	-	29,937
Total operating revenues	<u>2,444,513</u>	<u>2,810,824</u>	<u>213,410</u>	<u>1,042,829</u>
Operating Expenses				
Personal services	1,153,272	1,273,343	-	177,967
Contractual services	261,826	616,877	110,588	659,770
Materials and supplies	313,848	79,733	77,508	34,764
Depreciation	473,558	649,566	141,213	18,774
Other operating expenses	29,456	39,721	13,932	6,886
Total operating expenses	<u>2,231,960</u>	<u>2,659,240</u>	<u>343,241</u>	<u>898,161</u>
Operating income (loss)	<u>212,553</u>	<u>151,584</u>	<u>(129,831)</u>	<u>144,668</u>
Nonoperating Revenues (Expenses)				
Grants income	-	-	204,718	-
Interest and fiscal charges	(32,541)	(43,572)	(24,842)	-
Gain (Loss) on Sale of Capital Assets	34,418	11,205	14,050	-
Other nonoperating revenue	-	-	-	-
Other nonoperating expense	-	(58,827)	-	-
Transfers in	-	-	225,000	-
Total non-operating revenues (expenses)	<u>1,877</u>	<u>(91,194)</u>	<u>418,926</u>	<u>-</u>
Change in net position	214,430	60,390	289,095	144,668
Net position at beginning of year	10,296,987	16,415,047	9,257,385	1,165,457
Net position at end of year	<u>\$ 10,511,417</u>	<u>\$ 16,475,437</u>	<u>\$ 9,546,480</u>	<u>\$ 1,310,125</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 528,926	\$ 8,821	\$ 6,735,713	\$ 1,186,758
-	-	3,688	-
-	-	155,724	-
8,670	1,609	164,477	-
<u>537,596</u>	<u>10,430</u>	<u>7,059,602</u>	<u>1,186,758</u>
416,807	4,731	3,026,120	-
22,538	-	1,671,599	979,753
85,198	-	591,051	-
34,317	806	1,318,234	-
16,668	2,982	109,645	-
<u>575,528</u>	<u>8,519</u>	<u>6,716,649</u>	<u>979,753</u>
<u>(37,932)</u>	<u>1,911</u>	<u>342,953</u>	<u>207,005</u>
40,000	-	244,718	-
-	-	(100,955)	-
(15,275)	-	44,398	-
14,220	70,544	84,764	-
-	(14,411)	(73,238)	-
-	-	225,000	-
<u>38,945</u>	<u>56,133</u>	<u>424,687</u>	<u>-</u>
1,013	58,044	767,640	207,005
495,947	244,818	37,875,641	734,294
<u>\$ 496,960</u>	<u>\$ 302,862</u>	<u>\$ 38,643,281</u>	<u>\$ 941,299</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Cash Flows from Operating Activities				
Cash received from customers	\$ 2,298,591	\$ 2,771,606	\$ 176,961	\$ 1,005,183
Other operating receipts	117,795	10,154	-	29,937
Cash paid to employees	(1,018,519)	(1,125,688)	-	(155,539)
Cash paid to suppliers	(585,368)	(687,769)	(179,416)	(721,527)
Cash paid for other expenses	(30,002)	(48,965)	(20,895)	(17,636)
Net cash flows from operating activities	<u>782,497</u>	<u>919,338</u>	<u>(23,350)</u>	<u>140,418</u>
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	-	-	225,000	-
Advances in (out)	-	100,000	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>225,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(542,575)	(605,749)	(246,316)	-
Cash received from grants	-	-	184,246	-
Cash received from donations	-	-	-	-
Payment of debt	(83,047)	(133,159)	(114,970)	-
Payment of interest	(33,907)	(45,399)	(25,150)	-
Net cash flows from capital and related financing activities	<u>(659,529)</u>	<u>(784,307)</u>	<u>(202,190)</u>	<u>-</u>
Net change in cash	122,968	235,031	(540)	140,418
Cash and cash equivalents at beginning of year	1,065,369	2,152,036	132,909	988,858
Cash and cash equivalents at end of year	<u>\$ 1,188,337</u>	<u>\$ 2,387,067</u>	<u>\$ 132,369</u>	<u>\$ 1,129,276</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 212,553	\$ 151,584	\$ (129,831)	\$ 144,668
Add depreciation expense	473,558	649,566	141,213	18,774
(Increase)/Decrease in current assets and deferred outflows				
Accounts receivable	(28,127)	(29,064)	(36,449)	(7,709)
Prepaid expenses	609	(2,434)	(22)	-
Materials and supplies inventory	5,392	(11,363)	-	-
Deferred outflows of resources - pension	(85,572)	(129,436)	-	(18,215)
Increase/(Decrease) in current liabilities and deferred inflows				
Accounts payable	606	(1,305)	1,739	(37,743)
Accrued wages	4,379	(2,281)	-	(519)
Compensated absences	21,974	8,144	-	1,814
Refundable deposits	-	-	-	-
Intergovernmental payable	1,807	253	-	(278)
Retainage payable	(16,847)	14,699	-	-
Net pension liability	189,409	282,640	-	40,978
Deferred inflows of resources - pension	2,756	(11,665)	-	(1,352)
Net cash flows from operating activities	<u>\$ 782,497</u>	<u>\$ 919,338</u>	<u>\$ (23,350)</u>	<u>\$ 140,418</u>
Non cash investing, capital, and financing activities:				
Capital Asset Disposals Less Related Trade Ins	<u>\$ (34,418)</u>	<u>\$ (11,205)</u>	<u>\$ (14,050)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Ambulance Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 494,664	\$ 29,714	\$ 6,776,719	\$ 1,186,758
8,670	1,609	168,165	-
(390,973)	(5,861)	(2,696,580)	-
(73,909)	-	(2,247,989)	(918,892)
(20,815)	(16,277)	(154,590)	-
<u>17,637</u>	<u>9,185</u>	<u>1,845,725</u>	<u>267,866</u>
-	-	225,000	-
-	-	100,000	-
-	-	<u>325,000</u>	-
(368,824)	-	(1,763,464)	-
40,000	-	224,246	-
14,220	-	14,220	-
-	-	(331,176)	-
-	-	(104,456)	-
<u>(314,604)</u>	<u>-</u>	<u>(1,960,630)</u>	<u>-</u>
(296,967)	9,185	210,095	267,866
523,733	211,686	5,074,591	581,071
<u>\$ 226,766</u>	<u>\$ 220,871</u>	<u>\$ 5,284,686</u>	<u>\$ 848,937</u>
\$ (37,932)	\$ 1,911	\$ 342,953	\$ 207,005
34,317	806	1,318,234	-
(34,262)	-	(135,611)	-
(4,523)	(5)	(6,375)	47,210
-	-	(5,971)	-
8,677	1,155	(223,391)	-
35,257	(15)	(1,461)	13,651
5,480	86	7,145	-
4,353	-	36,285	-
-	7,618	7,618	-
2,610	85	4,477	-
-	-	(2,148)	-
16,401	(5,451)	523,977	-
(12,741)	2,995	(20,007)	-
<u>\$ 17,637</u>	<u>\$ 9,185</u>	<u>\$ 1,845,725</u>	<u>\$ 267,866</u>
<u>\$ 15,275</u>	<u>\$ -</u>	<u>\$ (44,398)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2017

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 21,432	\$ 40,129
Cash in segregated account	-	47,572
Investments	60,000	-
Total assets	81,432	87,701
Liabilities		
Deposits held and due to others	-	40,129
Undistributed assets	-	47,572
Total liabilities	-	87,701
Net Position		
Net position held in trust	\$ 81,432	\$ -

See accompanying notes to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 901
Other revenue	50
Total additions	<u>951</u>
Deductions	
Endowments	<u>1,764</u>
Total deductions	<u>1,764</u>
Change in net position	(813)
Net position at beginning of year	<u>82,245</u>
Net position at end of year	<u>\$ 81,432</u>

See accompanying notes to the basic financial statements.

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support, the organization; or (c) is obligated in some manner for the debt of the entity. The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. The City has no component units.

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deposits and Investments

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

During 2017, the City's investments consisted solely of negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market prices.

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

D. Receivables and Payables

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

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

E. Notes Receivable

Notes receivable represents the right to receive repayment for a note made by the City. This note is based upon a written agreement between the City and the note recipient.

F. Inventories and Prepaid Items

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

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

G. Capital Assets and Depreciation

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation (Continued)

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

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

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenues include delinquent property taxes, income taxes, charges for services, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported on the government-wide and proprietary fund statements of net position (See Note 10).

I. Pensions

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

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

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

K. Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

M. Interfund Transactions

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

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

N. Estimates

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

O. Net Position

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

P. 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 and that are either unusual in nature or infrequent in occurrence. During fiscal year 2017, the City had one special item related to the sale of land to Mary Rutan Hospital.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balances

	General Fund	Street Department Fund
GAAP basis	\$ 557,660	\$ (11,401)
Parks and Recreation Change	(6,248)	-
General Pension Reserve Change	(350,000)	-
Revenue accruals	489,056	(2,214)
Expenditure accruals	(292,627)	15,741
Other Financing Sources	-	(28,000)
Encumbrances	(438,589)	(95,036)
Budget basis	\$ (40,748)	\$ (120,910)

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$2,105,656 and the bank balance was \$2,282,927. Of the bank balance, \$596,367 was covered by federal depository insurance and the remaining amount was collateralized.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the FDIC, or may pledge a single pool of collateral for the benefit of every depositor via the Ohio Pooled Collateral Program administered by the Treasurer of State. Specific collateral must equal or exceed 105% of the carrying value of assets, whereas pooled collateral must equal or exceed 102% or lesser amount as determined by the Treasurer of State. 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.

Investments — As of December 31, 2017, the City had \$13,441,009 invested in negotiable certificates of deposit.

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

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less. At December 31, 2017, the market value of negotiable certificates of deposit maturing in calendar years 2018, 2019, 2020, 2021, and 2022 were \$2,496,196, \$2,238,222, \$2,129,904, \$2,940,712 and \$3,635,975, respectively.

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

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

NOTE 5 – NOTES RECEIVABLE

During 2017, the City transferred property to Mary Rutan Hospital. In return, Mary Rutan Hospital agreed to compensate the City with a \$1,000,000 note. Mary Rutan Hospital made payments, totaling \$200,000, during 2017. At December 31, 2017, the balance of the note was \$800,000.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 6 - TAXES

Property Taxes

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

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

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

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2017. The assessed valuation of the City for tax year 2016, which were used to collect taxes in calendar year 2017 was \$215,930,920.

Income Taxes

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 7 – TAX ABATEMENTS

Ohio Enterprise Zone Program

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

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

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

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

The gross dollar amount by which the taxes were reduced to the City for 2017 was as follows:

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

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 8 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2017, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 8,008,480	\$ -	\$ -	\$ -	\$ 8,008,480
Construction in Progress	5,896	8,199	-	(8,900)	5,195
Total Non-depreciated assets	<u>8,014,376</u>	<u>8,199</u>	<u>-</u>	<u>(8,900)</u>	<u>8,013,675</u>
Capital assets, being depreciated:					
Land Improvements	5,877,623	21,725	-	(65,321)	5,834,027
Buildings	4,920,417	-	-	58,098	4,978,515
Building Components	384,108	105,188	-	-	489,296
Equipment	2,866,545	142,528	(173,702)	12,130	2,847,501
Furniture	295,406	-	(8,995)	-	286,411
Vehicles	3,346,070	-	(409,079)	109,328	3,046,319
Infrastructure	19,921,835	387,100	-	-	20,308,935
Total depreciated assets	<u>37,612,004</u>	<u>656,541</u>	<u>(591,776)</u>	<u>114,235</u>	<u>37,791,004</u>
Total capital assets	<u>45,626,380</u>	<u>664,740</u>	<u>(591,776)</u>	<u>105,335</u>	<u>45,804,679</u>
Less accumulated depreciation for:					
Land Improvements	438,179	66,836	-	(831)	504,184
Buildings	2,475,170	73,569	-	(2,846)	2,545,893
Building Components	44,811	27,891	-	43,687	116,389
Equipment	1,999,951	125,736	(143,239)	-	1,982,448
Furniture	220,901	6,207	(8,255)	3,579	222,432
Vehicles	2,235,964	158,687	(284,845)	59,052	2,168,858
Infrastructure	10,109,585	608,862	-	-	10,718,447
Total accumulated depreciation	<u>17,524,561</u>	<u>1,067,788</u>	<u>(436,339)</u>	<u>102,641</u>	<u>18,258,651</u>
Total depreciable assets, net	<u>20,087,443</u>	<u>(411,247)</u>	<u>(155,437)</u>	<u>11,594</u>	<u>19,532,353</u>
Total capital assets, net	<u>\$ 28,101,819</u>	<u>\$ (403,048)</u>	<u>\$ (155,437)</u>	<u>\$ 2,694</u>	<u>\$ 27,546,028</u>

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 65,360
Health	4,921
Judicial	22,064
Legislative and Executive	93,688
Public Safety	139,037
Public Works	185,632
Transportation	557,086
Total	<u>\$ 1,067,788</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 8 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2017, was as follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 1,784,949	\$ -	\$ -	\$ -	\$ 1,784,949
Construction in Progress	280,952	491,498	-	(748,734)	23,716
Total Non-depreciated assets	<u>2,065,901</u>	<u>491,498</u>	<u>-</u>	<u>(748,734)</u>	<u>1,808,665</u>
Capital assets, being depreciated:					
Land Improvements	8,183,415	238,172	-	69,096	8,490,683
Buildings	13,876,033	-	(24,039)	(52,973)	13,799,021
Building Components	135,605	-	-	-	135,605
Equipment	6,018,819	353,840	(143,051)	(12,130)	6,217,478
Furniture	101,238	-	-	-	101,238
Vehicles	1,831,321	428,457	(163,317)	(109,328)	1,987,133
Infrastructure	19,970,588	325,555	-	748,734	21,044,877
Total depreciated assets	<u>50,117,019</u>	<u>1,346,024</u>	<u>(330,407)</u>	<u>643,399</u>	<u>51,776,035</u>
Total capital assets	<u>52,182,920</u>	<u>1,837,522</u>	<u>(330,407)</u>	<u>(105,335)</u>	<u>53,584,700</u>
Less accumulated depreciation for:					
Land Improvements	624,347	33,236	-	1,627	659,210
Buildings	4,031,967	190,378	(21,639)	(41,637)	4,159,069
Building Components	22,392	8,474	-	-	30,866
Equipment	2,980,706	310,653	(135,531)	(3,579)	3,152,249
Furniture	37,115	7,256	-	-	44,371
Vehicles	1,059,613	167,448	(143,577)	(59,052)	1,024,432
Infrastructure	6,508,991	600,789	-	-	7,109,780
Total accumulated depreciation	<u>15,265,131</u>	<u>1,318,234</u>	<u>(300,747)</u>	<u>(102,641)</u>	<u>16,179,977</u>
Total depreciable assets, net	<u>34,851,888</u>	<u>27,790</u>	<u>(29,660)</u>	<u>746,040</u>	<u>35,596,058</u>
Total capital assets, net	<u>\$ 36,917,789</u>	<u>\$ 519,288</u>	<u>\$ (29,660)</u>	<u>\$ (2,694)</u>	<u>\$ 37,404,723</u>

Depreciation expense was charged to governmental functions as follows:

Water	\$ 473,558
Sewer	649,566
Airport	141,213
Garbage	18,774
Ambulance	34,317
Other Nonmajor	806
Total	<u>\$ 1,318,234</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
2010 Energy Project Bonds, 2-3.75%, 2027	425,565	-	(33,123)	392,442	33,844
OPWC Street Resurfacing, 0%, 2019	75,000	-	(30,000)	45,000	30,000
OPWC Roadway Improvement	199,441	-	(11,732)	187,709	11,732
OPWC Whispering Pines Resurfacing, 0%, 2036	233,309	-	(11,964)	221,345	11,965
Huntington National Bank Loan, 1.60%, 2017	26,255	-	(26,255)	-	-
Logan County Loan, 0%, 2019	72,527	-	(24,176)	48,351	24,176
Unamortized premium on sale of bonds	3,200	-	(480)	2,720	-
Compensated Absences Payable	1,151,369	294,005	(308,027)	1,137,347	439,357
Net Pension Liability	10,886,727	500,253	-	11,386,980	-
Total Governmental Activities	13,073,393	794,258	(445,757)	13,421,894	551,074
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Airport Improvement Refunding, 2.57%, 2023	909,666	-	(110,667)	798,999	115,667
OPWC Waterline Replacement, 0%, 2025	6,053	-	(712)	5,341	712
OPWC Storm Water Drainage, 0%, 2028	96,600	-	(8,400)	88,200	8,400
OPWC Wastewater Treatment Plant Upgrade, 0%, 2031	217,800	-	(14,520)	203,280	14,520
2010 Energy Project Bonds 2-3%, 2027	2,529,435	-	(196,877)	2,332,558	201,156
Unamortized premium on sale of bonds	19,013	-	(2,854)	16,159	-
Compensated Absences Payable	396,979	124,267	(87,982)	433,264	157,075
Net Pension Liability	2,289,498	523,977	-	2,813,475	-
Total Business-Type Activities	6,465,044	648,244	(422,012)	6,691,276	497,530
Total Long-Term Obligations	\$ 19,538,437	\$ 1,442,502	\$ (867,769)	\$ 20,113,170	\$ 1,048,604

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

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

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2017 (See Note 12). The compensated absences will be paid from the funds in which the employees' salaries are paid.

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

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

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

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the City's future debt service requirements as of December 31, 2017 were as follows:

Year	Principal	Interest
Governmental Activities:		
2018	\$ 111,717	\$ 12,813
2019	98,156	11,882
2020	59,701	10,824
2021	61,141	9,744
2022	61,861	8,620
2023-2027	330,184	23,318
2028-2032	118,483	-
2033-2037	53,604	-
	<u>\$ 894,847</u>	<u>\$ 77,201</u>
Business-Type Activities:		
2018	\$ 340,455	\$ 96,688
2019	359,016	88,188
2020	368,295	78,664
2021	381,855	68,927
2022	391,135	58,723
2023-2027	1,525,342	142,466
2028-2032	62,280	-
	<u>\$ 3,428,378</u>	<u>\$ 533,656</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple employer defined benefit pension plan with defined contribution features.

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

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

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

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$491,626 for 2017. Of this amount, \$44,033 is reported as an intergovernmental payable.

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$664,043 for 2017. Of this amount \$70,625 is reported as an intergovernmental payable.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The net pension asset and net pension liability for OPERS were measured as of December 31, 2016, and the total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date. OPF's total pension (asset)/liability was measured as of December 31, 2016, and was determined by rolling forward the total pension (asset)/liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension (asset)/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension (Asset)/Liability	\$6,029,281	(\$15,730)	\$8,171,174	\$14,184,725
Proportion of the Net Pension (Asset)/Liability	0.026551%	0.028263%	0.12900700%	
Pension Expense	\$1,274,507	\$6,014	\$977,106	\$2,257,627

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 8,173	\$ -	\$ 2,314	\$ 10,487
Changes of assumptions	956,317	3,833	0	960,150
Net difference between projected and actual earnings on pension plan investments	897,898	3,838	794,609	1,696,345
Change in proportionate share	31,737	103	122,379	154,219
City contributions subsequent to the measurement date	474,947	16,679	664,043	1,155,669
Total Deferred Outflows of Resources	2,369,072	24,453	\$1,583,345	\$3,976,870
Deferred Inflows of Resources				
Differences between expected and actual experience	35,882	8,046	18,813	62,741
Change in proportionate share	31,918	485	223,514	255,917
Total Deferred Inflows of Resources	\$ 67,800	\$ 8,531	\$ 242,327	\$ 318,658

\$1,155,669 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year Ending December 31:	OPERS	OPERS	OP&F	Total
	Traditional Plan	Combined Plan		
2018	\$ 752,860	\$ 694	\$ 285,787	\$ 1,039,341
2019	780,559	694	285,786	1,067,039
2020	319,224	528	213,776	533,528
2021	(26,318)	(830)	(69,912)	(97,060)
2022	-	(688)	(12,796)	(13,484)
Thereafter	-	(1,155)	(25,666)	(26,821)
Total	<u>\$ 1,826,325</u>	<u>\$ (757)</u>	<u>\$ 676,975</u>	<u>\$ 2,502,543</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre-1/7/13 Retirees: 3 percent, simple Post-1/7/13 Retirees: 3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, the tables were adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, the tables were adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year, for both healthy and disabled retiree mortality tables, were determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The following table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance for the Defined Benefit portfolio is 8.3 percent for 2016.

Discount Rate The discount rate used to measure the total pension (asset)/liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

Sensitivity of the City's Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension (asset)/liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	\$9,211,073	\$6,029,281	\$3,377,818
Combined Plan	\$1,131	(\$15,730)	(\$28,828)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent single

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$10,883,035	\$8,171,174	\$5,872,834

Changes Between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

As of December 31, 2017, OPERS maintains a cost-sharing, multiple employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health coverage. OPERS funds a Retiree Medical Account (RMA) for participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. See the Plan Statement in the OPERS 2016 CAFR for details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, the City contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members of the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Direction Plan for 2017 was 4.0%.

The City's contributions to OPERS for post-employment benefits for the years ending December 31, 2017, 2016, and 2015 were \$37,817, \$69,383, and \$69,095, respectively. The full amount has been contributed for 2016 and 2015; 91 percent has been contributed for 2017 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to the health care plan was 0.50% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F for the years ending December 31, 2017, 2016, and 2015, were \$664,043, \$571,435, and \$569,894, respectively, of which \$15,966, \$13,654, and \$13,601, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2016 and 2015. 89 percent has been contributed for 2017 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE, OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12 - EMPLOYEE BENEFITS

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

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

At December 31, 2017, the City's liability for accumulated unpaid sick leave was \$632,821. A liability of \$444,419 has been recognized in the governmental activities and \$188,402 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$937,790. A liability of \$692,928 has been recognized in the governmental activities and \$244,862 has been recognized in the business-type activities.

NOTE 13 – CONTINGENCIES

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

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

NOTE 14 – INTERFUND TRANSFERS/BALANCES

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 395,914
Other Governmental Funds	170,914	-
Airport Fund	225,000	-
	<u>\$ 395,914</u>	<u>\$ 395,914</u>

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 – INTERFUND TRANSFERS/BALANCES (CONTINUED)

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities	\$ 73,238	\$ 70,544
Sewer Fund	-	58,827
Non-Major Proprietary Funds	70,544	14,411
	<u>\$ 143,782</u>	<u>\$ 143,782</u>

Interfund balances at December 31, 2017 consisted of the following:

<u>Fund</u>	<u>Beginning Balance</u>	<u>New Advances</u>	<u>Advance Repayments</u>	<u>Ending Balance</u>
Capital Improvement	\$ 140,000	\$ -	\$ (28,000)	\$ 112,000
Street Department	(140,000)	-	28,000	(112,000)
Reconstruction Improvement	(300,000)	-	100,000	(200,000)
Total Governmental Activities	<u>(300,000)</u>	<u>-</u>	<u>100,000</u>	<u>(200,000)</u>
Sewer Fund	300,000	-	(100,000)	200,000
Total Business-Type Activities	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 200,000</u>

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

NOTE 15 - CONDUIT DEBT OBLIGATIONS

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

The original issuance for the Revenue Bonds in 2006 was \$15,000,000. In addition, the original issuance for the Revenue Bonds in 2017 was \$11,000,000. As of December 31, 2017, the revenue bonds outstanding were \$4,955,000 and \$11,000,00, respectively.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 16 – LIABILITY INSURANCE

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

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

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES

For 2017, the City implemented GASB Statement No. 73 *“Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this statement did not have a significant effect on the financial statements of the City.

For 2017, the City implemented GASB Statement No. 74 *“Financial Reporting for Postemployment Benefit Plans other than Pension Plans”* which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this statement did not have an effect on the financial statements of the City.

For 2017, the City implemented GASB Statement No. 80 *“Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14”*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this statement did not have an effect on the financial statements of the City.

For 2017, the City implemented GASB Statement No. 81 *“Irrevocable Split-Interest Agreements”*, which improves financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement did not have an effect on the financial statements of the City.

For 2017, the City implemented GASB Statement No. 82 *“Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73”*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a significant effect on the financial statements of the City.

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

Last Four Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension (Asset)/Liability				
Traditional Plan	0.0265510%	0.0265390%	0.026567%	0.026567%
Combined Plan	0.0282630%	0.0285100%	0.026397%	0.026397%
City's Proportionate Share of the Net Pension (Asset)/Liability				
Traditional Plan	\$ 6,029,281	\$ 4,596,890	\$ 3,204,278	\$ 3,131,903
Combined Plan	(15,730)	(13,873)	(10,163)	(2,770)
City's Covered-Employee Payroll	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	173.34%	132.66%	94.92%	93.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				
Traditional Plan	77.25%	81.08%	86.45%	86.36%
Combined Plan	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available.

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

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

Last Four Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.1290070%	0.1333630%	0.1305117%	0.1305117%
City's Proportionate Share of the Net Pension Liability	\$ 8,171,174	\$ 8,579,335	\$ 6,761,050	\$ 6,356,329
City's Covered-Employee Payroll	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	299.23%	315.40%	258.00%	255.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

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

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

Last Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 491,626	\$ 416,297	\$ 414,567	\$ 403,816	\$ 434,036
Contributions in relation to the contractually required contribution	\$ (491,626)	\$ (416,297)	\$ (414,567)	\$ (403,816)	\$ (434,036)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,781,738	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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

Last Six Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 664,043	\$ 571,435	\$ 569,894	\$ 546,183	\$ 444,932	\$ 352,766
Contributions in relation to the contractually required contribution	\$ (664,043)	\$ (571,435)	\$ (569,894)	\$ (546,183)	\$ (444,932)	\$ (352,766)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,193,277	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471	\$ 2,416,073
Contributions as a percentage of covered-employee payroll	20.80%	20.93%	20.95%	20.84%	17.92%	14.60%

(1) Information prior to 2012 is not available.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes of benefit terms. There were no significant changes of benefit terms in 2017.

Changes of assumptions. Amounts reported in 2017 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments.

OHIO POLICE AND FIRE PENSION SYSTEM

Changes of benefit terms. There were no significant changes of benefit terms in 2017.

Changes of assumptions. There were no significant changes of assumptions in 2017.

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Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellefontaine, Logan County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018



Dave Yost • Auditor of State

CITY OF BELLEFONTAINE

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 16, 2018