

***CITY OF BELLEFONTAINE
LOGAN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

City Council
City of Bellefontaine
135 North Detroit Street
Bellefontaine, Ohio 43311

We have reviewed the *Report of Independent Accountants* of the City of Bellefontaine, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 9, 2006

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CITY OF BELLEFONTAINE, OHIO
AUDIT REPORT
For the Year Ended December 31, 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311-1474

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, 2005, which collectively comprise the City's basic financial statements as listed in the table contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2006 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

July 8, 2006

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The discussion and analysis of the City of Bellefontaine's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$53.2 million (net assets). Of this amount, \$5.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$2.2 million, or 4%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.8 million, an increase of \$1.2 million in comparison with the prior year.

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 of Bellefontaine 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 Assets 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 Assets 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 2005?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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:

- 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, and airport administration.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

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. In the case of the City of Bellefontaine, our major funds are the General, Capital Improvement, Water, Sewer, and Airport 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 Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

The City maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for the general and capital improvement funds, which are considered to be the City's major funds. Data from the other 38 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund 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, 2005
(UNAUDITED)**

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2005.

TABLE 1

Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 8,695,301	\$ 9,857,332	\$ 4,867,159	\$ 5,263,758	\$ 13,562,460	\$ 15,121,090
Capital assets	20,252,168	20,761,054	28,381,690	28,372,721	48,633,858	49,133,775
Total Assets	<u>29,093,812</u>	<u>30,618,386</u>	<u>33,287,182</u>	<u>33,636,479</u>	<u>62,196,318</u>	<u>64,254,865</u>
Current liabilities	1,472,790	1,413,170	319,443	337,808	1,792,233	1,750,978
Long-term liabilities	1,128,917	1,681,348	8,330,559	7,646,333	9,459,476	9,327,681
Total Liabilities	<u>2,601,707</u>	<u>3,094,518</u>	<u>8,650,002</u>	<u>7,984,141</u>	<u>11,251,709</u>	<u>11,078,659</u>
Net Assets:						
Invested in capital assets, net of related debt	20,062,168	19,996,054	20,227,449	20,893,636	40,289,617	40,889,690
Restricted	5,932,120	6,010,901	814,541	819,563	6,746,661	6,830,464
Unrestricted	351,474	1,516,913	3,556,857	3,939,139	3,908,331	5,456,052
Total Net Assets	<u>\$ 26,345,762</u>	<u>\$ 27,523,868</u>	<u>\$ 24,598,847</u>	<u>\$ 25,652,338</u>	<u>\$ 50,944,609</u>	<u>\$ 53,176,206</u>

By far the largest portion of the City's net assets (77%) reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive net asset balances in each of its governmental and business-type activities net asset classifications. Unrestricted net assets of \$1.5 million and \$3.9 million in the governmental and business-type activities, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Table 2 shows the changes in net assets for the year ended December 31, 2004 and 2005.

TABLE 2

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Program revenues:						
Charges for services	\$ 753,434	\$ 750,617	\$ 4,354,886	\$ 4,783,507	\$ 5,108,320	\$ 5,534,124
Grants and contributions	1,145,418	1,559,239	375,181	98,401	1,520,599	1,657,640
General revenues:						
Property taxes	665,080	626,455	-	-	665,080	626,455
Income taxes	5,173,453	5,571,672	-	-	5,173,453	5,571,672
Other local taxes	35,260	83,899	-	-	35,260	83,899
Unrestricted grants	521,563	638,346	-	-	521,563	638,346
Investment earnings	129,302	221,002	22,070	63,273	151,372	284,275
Other	259,237	308,656	89,370	65,625	348,607	374,281
Total revenues	8,682,747	9,759,886	4,841,507	5,010,806	13,524,254	14,770,692
Expenses:						
General government	2,319,466	2,007,151	-	-	2,319,466	2,007,151
Public safety	4,052,015	3,430,992	-	-	4,052,015	3,430,992
Public works	586,377	588,876	-	-	586,377	588,876
Health	210,367	129,551	-	-	210,367	129,551
Conservation and recreation	624,627	565,328	-	-	624,627	565,328
Economic development	419,921	358,557	-	-	419,921	358,557
Transportation	1,259,800	1,404,877	-	-	1,259,800	1,404,877
Interest on long-term debt	19,550	14,448	-	-	19,550	14,448
Loss on disposition of assets	84,328	-	-	-	84,328	-
Water	-	-	1,433,983	1,442,384	1,433,983	1,442,384
Sewer	-	-	1,795,421	1,469,423	1,795,421	1,469,423
Airport	-	-	372,063	211,823	372,063	211,823
Other nonmajor enterprise	-	-	784,477	915,685	784,477	915,685
Total expenses	9,576,451	8,499,780	4,385,944	4,039,315	13,962,395	12,539,095
Increase in net assets before transfers	(893,704)	1,260,106	455,563	971,491	(438,141)	2,231,597
Transfers	(83,500)	(82,000)	83,500	82,000	-	-
Increase (decrease) in net assets	\$ (977,204)	\$ 1,178,106	\$ 539,063	\$ 1,053,491	\$ (438,141)	\$ 2,231,597

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Governmental Activities

Property and income taxes and grants are the biggest contributors of revenue for the City's governmental activities, representing 86% of total governmental revenues. The City's income tax revenues constitute 57% of total governmental revenues. Public safety is a major activity of the City that accounts for 40% of governmental expenses. The City's general government and transportation activities are also significant, constituting 24% and 17% of governmental expenses, respectively.

During the fiscal year, net assets of the City's governmental activities increased by \$1.2 million or 4%. This increase represents the degree to which increases in ongoing revenues have outstripped ongoing expenditures. In 2005, The City saw increases in income tax and grant revenues and a reduction in expenditures in comparison to 2004.

Business-type Activities

The City's primary business-type activities are water distribution and sewer collection and treatment. The City charges customers for providing these services.

During the fiscal year, net assets of the City's business-type activities increased by \$1.1 million. A portion of this increase (\$82,000) represents funds transferred into the business-type activities from governmental activities. The remaining increase represents the degree to which customer charges exceeded the City's cost of providing the services.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Total versus Net Cost of Services

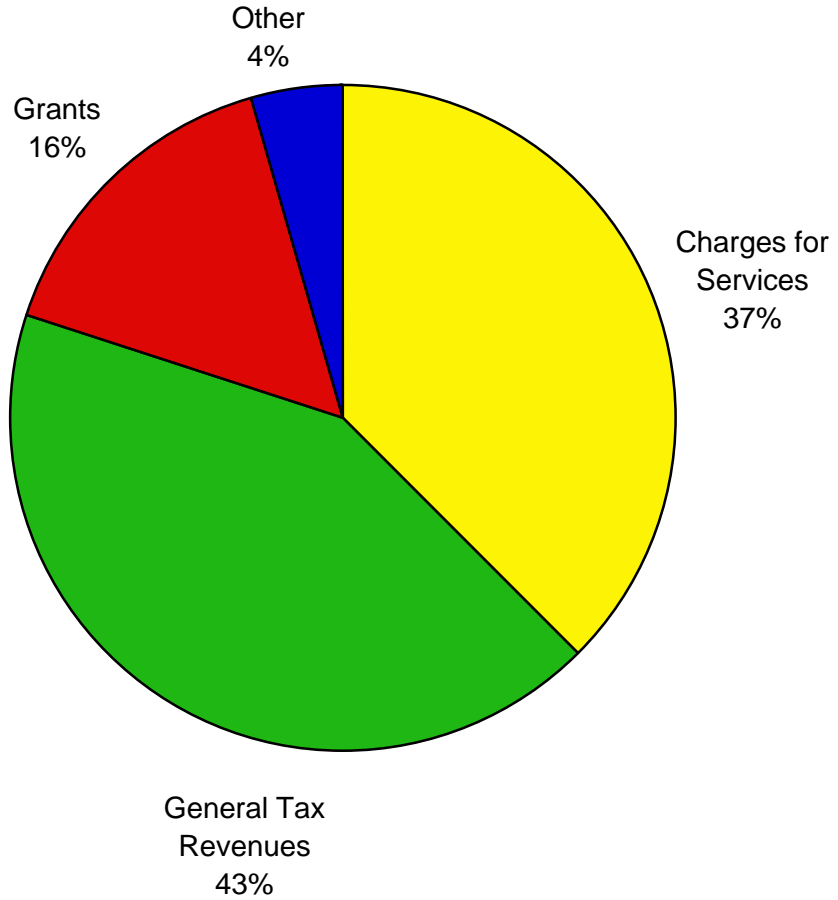
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of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

TABLE 3

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
Governmental Activities:				
General government	\$ (2,319,466)	\$ (2,007,151)	\$ (2,256,115)	\$ (1,896,420)
Public safety	(4,052,015)	(3,430,992)	(3,305,378)	(2,856,200)
Public works	(586,377)	(588,876)	(586,377)	(199,171)
Health	(210,367)	(129,551)	(164,044)	(78,559)
Conservation and recreation	(624,627)	(565,328)	(514,498)	(479,165)
Economic development	(419,921)	(358,557)	627	209,702
Transportation	(1,259,800)	(1,404,877)	(747,936)	(875,663)
Interest on long-term debt	(19,550)	(14,448)	(19,550)	(14,448)
Loss on disposition of assets	(84,328)	-	(84,328)	
Total Governmental Activities	(9,576,451)	(8,499,780)	(7,677,599)	(6,189,924)
Business-Type Activities:				
Water	(1,433,983)	(1,442,384)	272,891	143,343
Sewer	(1,795,421)	(1,469,423)	94,095	686,227
Airport	(372,063)	(211,823)	(142,261)	(102,617)
Other nonmajor	(784,477)	(915,685)	119,398	115,640
Total Business-Type Activities	(4,385,944)	(4,039,315)	344,123	842,593
Grand Total	\$(13,962,395)	\$(12,539,095)	\$ (7,333,476)	\$ (5,347,331)

CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)



The City's reliance upon general tax revenues is demonstrated by the graph above indicating 43% of total revenues from local taxes, as well as the net cost of services column on the preceding page reflecting the need for \$5.3 million of support.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.8 million, an 18% increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 and 2004.

	<u>Fund Balance</u> <u>12/31/2004</u>	<u>Fund Balance</u> <u>12/31/2005</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 691,352	\$ 1,551,928	\$ 860,576
Capital improvements	2,961,356	2,903,337	\$ (58,019)
Other Governmental	<u>3,013,425</u>	<u>3,380,534</u>	<u>\$ 367,109</u>
Total	<u>\$ 6,666,133</u>	<u>\$ 7,835,799</u>	<u>\$ 1,169,666</u>

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.5 million while total fund balance was \$1.6 million.

The fund balance of the City's general fund increased \$860,576 during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have outstripped ongoing expenditures in the general fund.

The capital improvements fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. At the end of the current fiscal year, total fund balance of the capital improvements fund, all of which was unreserved, was \$2.9 million, a 2% decrease from 2004. This decrease represented the amount by which capital outlay expenditures exceeded investment and intergovernmental earnings during the year.

The other governmental funds had a fund balance at year-end of \$3.4 million, a 12% increase from the previous year.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Proprietary Funds

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

Unrestricted net assets in the water fund at the end of the year amounted to \$589,165. Total net assets increased \$208,228, or 2%, from the previous year.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$1.7 million. Total net assets increased \$730,070, or 13%, from the previous year.

Unrestricted net assets in the airport fund at the end of the year amounted to \$482,976. Total net assets decreased \$2,099, or less than 1% from the previous year.

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.

Differences between the original budget and the final amended budget in the general fund were insignificant. The final amended revenue estimate exceeded the original estimate by \$250,000, or 3%, and the final appropriations exceeded the original resolution by \$218,812, or 3%. The City's final amended revenue estimate exceeded actual revenues by \$219,212, or 3%, and the final amended appropriations exceeded actual expenditures by \$545,578, or 9%.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$49.1 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, furniture, vehicles, and infrastructure. Total acquisitions for the current fiscal year were \$2 million and depreciation was \$1.5 million. Detailed information regarding capital asset activity is included in the Note 6 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total debt outstanding of \$8,238,885. Of this amount, \$2,948,885 represents bonds backed by the full faith and credit of the City and \$165,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remaining \$5,125,000 of the City's debt represents bonds secured by specified revenue sources (i.e. revenue bonds). Detailed information regarding long-term debt is included in Note 7 to the basic financial statements.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

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 Tim Decker, City Auditor, 135 North Detroit Street, Bellefontaine, Ohio 43311-1474.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 7,348,829	\$ 3,737,689	\$ 11,086,518
Cash in a segregated account	70,000	-	70,000
Receivables:			
Taxes	1,612,835	-	1,612,835
Accounts	69,214	709,944	779,158
Intergovernmental	326,379	-	326,379
Internal Balances	139,921	(139,921)	-
Materials and supplies inventory	34,772	71,555	106,327
Prepaid items	31,649	-	31,649
Notes receivable	9,216	-	9,216
Special assessments receivable	165,000	-	165,000
Restricted cash and cash equivalents	-	819,563	819,563
Deferred bond costs	49,517	64,928	114,445
Capital assets, net	20,761,054	28,372,721	49,133,775
Total Assets	30,618,386	33,636,479	64,254,865
Liabilities			
Accounts payable	199,324	123,152	322,476
Accrued wages and benefits	90,597	22,534	113,131
Intergovernmental payable	77,779	18,195	95,974
Interest payable	-	31,803	31,803
Deferred revenue	850,730	-	850,730
Pension obligations payable	194,740	32,123	226,863
Refundable deposits	-	110,001	110,001
Long-term liabilities			
Due within one year	591,265	778,019	1,369,284
Due in more than one year	1,090,083	6,868,314	7,958,397
Total Liabilities	3,094,518	7,984,141	11,078,659
Net Assets			
Invested in capital assets, net of related debt	19,996,054	20,893,636	40,889,690
Restricted for:			
Capital projects	5,099,455	-	5,099,455
Debt service	5,849	819,563	825,412
Other purposes	905,597	-	905,597
Unrestricted	1,516,913	3,939,139	5,456,052
Total Net Assets	\$ 27,523,868	\$ 25,652,338	\$ 53,176,206

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 2,007,151	\$ 30,104	\$ 80,627
Public safety	3,430,992	561,082	13,710
Public works	588,876	-	389,705
Health	129,551	50,992	-
Conservation and recreation	565,328	86,163	-
Economic development	358,557	22,276	545,983
Transportation	1,404,877	-	529,214
Interest on long-term debt	14,448	-	-
Total Governmental Activities	8,499,780	750,617	1,559,239
Business-type Activities:			
Water	1,442,384	1,585,727	-
Sewer	1,469,423	2,155,650	-
Airport	211,823	56,935	52,271
Other nonmajor	915,685	985,195	46,130
Total Business-type Activities	4,039,315	4,783,507	98,401
Total Government	\$ 12,539,095	\$ 5,534,124	\$ 1,657,640

General Revenues:

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

Transfers

Total general revenues and transfers

Change in Net Assets

Net assets at beginning of year, as restated (See Note 14)

Net assets at end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,896,420)	\$ -	\$ (1,896,420)
(2,856,200)	-	(2,856,200)
(199,171)	-	(199,171)
(78,559)	-	(78,559)
(479,165)	-	(479,165)
209,702	-	209,702
(875,663)	-	(875,663)
(14,448)	-	(14,448)
<u>(6,189,924)</u>	<u>-</u>	<u>(6,189,924)</u>
-	143,343	143,343
-	686,227	686,227
-	(102,617)	(102,617)
-	115,640	115,640
<u>-</u>	<u>842,593</u>	<u>842,593</u>
<u>\$ (6,189,924)</u>	<u>\$ 842,593</u>	<u>\$ (5,347,331)</u>
626,455	-	626,455
5,571,672	-	5,571,672
83,899	-	83,899
638,346	-	638,346
221,002	63,273	284,275
308,656	65,625	374,281
(82,000)	82,000	-
<u>7,368,030</u>	<u>210,898</u>	<u>7,578,928</u>
1,178,106	1,053,491	2,231,597
26,345,762	24,598,847	50,944,609
<u>\$ 27,523,868</u>	<u>\$ 25,652,338</u>	<u>\$ 53,176,206</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and cash equivalent:	\$ 1,179,036	\$ 2,772,678	\$ 3,300,072	\$ 7,251,786
Cash in a segregated account	-	-	70,000	70,000
Receivables:				
Taxes	1,458,279	-	154,556	1,612,835
Accounts	51,603	-	17,611	69,214
Intergovernmental	91,977	-	234,402	326,379
Due from other funds	-	139,921	-	139,921
Materials and supplies inventory	-	-	34,772	34,772
Notes receivable	-	-	9,216	9,216
Special assessments receivable	-	-	165,000	165,000
Prepaid items	31,649	-	-	31,649
Total assets	<u>2,812,544</u>	<u>2,912,599</u>	<u>3,985,629</u>	<u>9,710,772</u>
Liabilities:				
Accounts payable	102,632	9,262	87,430	199,324
Accrued wages and benefits	78,315	-	12,282	90,597
Intergovernmental payable	62,897	-	14,882	77,779
Deferred revenue	845,107	-	467,426	1,312,533
Pension obligations payable	171,665	-	23,075	194,740
Total liabilities	<u>1,260,616</u>	<u>9,262</u>	<u>605,095</u>	<u>1,874,973</u>
Fund Balances:				
Reserved for:				
Encumbrances	30,800	-	155,543	186,343
Supplies inventory	-	-	34,772	34,772
Prepaid items	31,649	-	-	31,649
Notes receivable	-	-	9,216	9,216
Debt service	-	-	5,849	5,849
Endowments	-	-	73,439	73,439
Unreserved, reported in:				
General fund	1,489,479	-	-	1,489,479
Special revenue funds	-	-	905,597	905,597
Capital project funds	-	2,903,337	2,196,118	5,099,455
Total fund balances	<u>1,551,928</u>	<u>2,903,337</u>	<u>3,380,534</u>	<u>7,835,799</u>
Total liabilities and fund balances	<u>\$ 2,812,544</u>	<u>\$ 2,912,599</u>	<u>\$ 3,985,629</u>	<u>\$ 9,710,772</u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total Governmental Fund Balances	\$ 7,835,799
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,761,054
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	461,803
Bond issuance costs amortized over the life of the loan in accordance with the respective debt payments, which are not due and payable in the current period, and therefore are not reported in the funds.	49,517
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 assets.	97,043
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	(865,072)
General obligation debt	(765,000)
Amortization of premium	(51,276)
	<u>(1,681,348)</u>
Net Assets of Governmental Activities	<u><u>\$ 27,523,868</u></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, 2005

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 505,712	\$ -	\$ 129,423	\$ 635,135
Income taxes	5,351,796	-	191,473	5,543,269
Other local taxes	51,603	-	32,296	83,899
Charges for services	38,000	-	119,292	157,292
Licenses, permits and fees	22,276	-	-	22,276
Fines and forfeitures	518,835	-	52,214	571,049
Intergovernmental	611,758	161,600	1,416,273	2,189,631
Special assessments	-	-	32,171	32,171
Interest	105,140	76,389	39,473	221,002
Rent	400	-	-	400
Donations and contributions	-	-	20,054	20,054
Refunds and reimbursements	61,104	-	3,184	64,288
Other	88,022	55,386	48,335	191,743
Total revenues	<u>7,354,646</u>	<u>293,375</u>	<u>2,084,188</u>	<u>9,732,209</u>
Expenditures:				
General government:				
Legislative and executive	1,275,771	-	4,173	1,279,944
Judicial	553,899	-	75,108	629,007
Public safety	3,258,440	-	9,459	3,267,899
Public works	149,287	-	254,693	403,980
Health	20,000	-	112,508	132,508
Conservation and recreation	-	-	533,351	533,351
Economic development	49,200	-	643,497	692,697
Transportation	352,476	-	590,073	942,549
Capital outlay	-	349,411	713,608	1,063,019
Debt service:				
Principal retirement	-	-	25,000	25,000
Interest and fiscal charges	-	1,983	61,982	63,965
Total expenditures	<u>5,659,073</u>	<u>351,394</u>	<u>3,023,452</u>	<u>9,033,919</u>
Excess (Deficiency) of revenues over (under) expenditures	1,695,573	(58,019)	(939,264)	698,290
Other financing sources (uses):				
Proceeds from bonds	-	-	600,000	600,000
Premium on sale of bonds	-	-	51,276	51,276
Transfers in	-	-	705,110	705,110
Transfers out	(834,997)	-	(52,113)	(887,110)
Total other financing sources (uses)	<u>(834,997)</u>	<u>-</u>	<u>1,304,273</u>	<u>469,276</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	860,576	(58,019)	365,009	1,167,566
Fund balance at beginning of year, as restated	691,352	2,961,356	3,013,425	6,666,133
Increase (Decrease) in inventory	-	-	2,100	2,100
Fund balance at end of year	<u>\$ 1,551,928</u>	<u>\$ 2,903,337</u>	<u>\$ 3,380,534</u>	<u>\$ 7,835,799</u>

See accompanying notes to the basic financial statements

**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, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 1,167,566

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	508,886
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	27,677
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	25,000
Debt proceeds and premium upon issuance are reported as other financing sources in the governmental funds, but represents long term liabilities in the statement of net assets.	(651,276)
Bond issuance costs are recorded as interest and fiscal expense in the governmental fund statements, but represent as asset to the statement of net assets and is amortized over the life of the loan.	49,517
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.	103,475
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 governmental funds.	
Compensated absences	(54,839)
Inventory consumption	2,100
Change in Net Assets of Governmental Activities	<u><u>\$ 1,178,106</u></u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property taxes	\$ 495,000	\$ 495,000	\$ 507,061	\$ 12,061
Income tax	5,300,000	5,380,000	5,380,199	199
Charges for services	32,000	32,000	38,000	6,000
Licenses and permits	86,200	86,200	22,276	(63,924)
Fines and forfeitures	660,000	589,500	524,190	(65,310)
Intergovernmental	547,012	547,012	611,758	64,746
Refunds and Reimbursements	80,150	80,150	61,104	(19,046)
Investment income	56,000	93,500	105,140	11,640
Rent	1,000	1,000	400	(600)
Donations and contributions	1,000	1,000		(1,000)
Other	24,000	252,000	88,022	(163,978)
Total Revenues	<u>7,282,362</u>	<u>7,557,362</u>	<u>7,338,150</u>	<u>(219,212)</u>
Expenditures				
General Government:				
Legislative and executive	1,279,014	1,393,547	1,289,051	104,496
Judicial	600,007	600,007	552,846	47,161
Public safety	3,370,880	3,483,030	3,399,976	83,054
Public works	431,484	427,586	160,863	266,723
Health	20,000	20,000	20,000	-
Economic development	50,300	50,300	49,200	1,100
Transportation	417,666	410,626	367,582	43,044
Total Expenditures	<u>6,169,351</u>	<u>6,385,096</u>	<u>5,839,518</u>	<u>545,578</u>
Excess of Revenues Over/ (Under) Expenditures	1,113,011	1,172,266	1,498,632	(764,790)
Other Financing Sources/(Uses)				
Transfers in	25,000	-	-	-
Transfers out	(929,273)	(932,340)	(834,997)	(97,343)
Total other financing sources/(uses)	<u>(904,273)</u>	<u>(932,340)</u>	<u>(834,997)</u>	<u>(97,343)</u>
Net change in fund balance	208,738	239,926	663,635	(862,133)
Fund balances at beginning of year	255,355	255,355	255,355	-
Prior year encumbrances appropriated	89,082	89,082	89,082	-
Fund balances at end of year	<u>\$ 553,175</u>	<u>\$ 584,363</u>	<u>\$ 1,008,072</u>	<u>\$ (862,133)</u>

See accompanying notes to the basic financial statements

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**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Airport Fund
Assets			
Pooled cash and cash equivalents	\$ 459,427	\$ 1,552,452	\$ 500,400
Receivables:			
Accounts	245,762	343,252	-
Due from other funds	-	140,000	-
Materials and supplies inventory	67,965	3,590	-
Restricted cash and cash equivalents	308,396	511,167	-
Deferred bond costs	-	64,928	-
Capital assets, net	9,936,607	7,661,715	10,324,094
Total assets	<u>11,018,157</u>	<u>10,277,104</u>	<u>10,824,494</u>
Liabilities			
Accounts payable	11,910	66,682	10,854
Accrued wages and benefits	10,824	5,608	-
Intergovernmental payable	9,039	4,470	-
Interest payable	8,791	16,442	6,570
Pension obligations payable	17,643	10,060	-
Refundable deposits	-	-	-
Compensated absences	125,782	23,325	-
Due to other funds	-	279,921	-
Notes Payable	13,885	-	1,900,000
Bonds payable	2,120,000	3,440,000	-
Total Liabilities	<u>2,317,874</u>	<u>3,846,508</u>	<u>1,917,424</u>
Net Assets			
Invested in capital assets, net of related debt	7,802,722	4,216,515	8,424,094
Restricted for debt service	308,396	511,167	-
Unrestricted	589,165	1,702,914	482,976
Total Net Assets	<u>\$ 8,700,283</u>	<u>\$ 6,430,596</u>	<u>\$ 8,907,070</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 1,225,410	\$ 3,737,689	\$ 97,043
120,930	709,944	-
-	140,000	-
-	71,555	-
-	819,563	-
-	64,928	-
450,305	28,372,721	-
<u>1,796,645</u>	<u>33,916,400</u>	<u>97,043</u>
33,706	123,152	-
6,102	22,534	-
4,686	18,195	-
-	31,803	-
4,420	32,123	-
110,001	110,001	-
23,341	172,448	-
-	279,921	-
-	1,913,885	-
-	5,560,000	-
<u>182,256</u>	<u>8,264,062</u>	<u>-</u>
450,305	20,893,636	-
-	819,563	-
1,164,084	3,939,139	97,043
<u>\$ 1,614,389</u>	<u>\$ 25,652,338</u>	<u>\$ 97,043</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	Water Fund	Sewer Fund	Airport Fund
Operating Revenues			
Charges for services	\$ 1,585,727	\$ 2,155,650	\$ -
Refunds and Reimbursements	-	-	-
Rental Income	-	-	56,935
Other operating revenue	47,934	14,917	1,122
Total Operating Revenues	<u>1,633,661</u>	<u>2,170,567</u>	<u>58,057</u>
Operating Expenses			
Personal services	643,726	432,644	-
Contractual services	113,466	555,445	20,401
Materials and supplies	258,827	30,217	-
Claims and judgements	-	-	-
Depreciation	267,886	216,155	88,630
Other operating expenses	46,314	50,393	22,574
Total Operating Expenses	<u>1,330,219</u>	<u>1,284,854</u>	<u>131,605</u>
Operating income (loss)	<u>303,442</u>	<u>885,713</u>	<u>(73,548)</u>
Nonoperating Revenues (Expenses)			
Interest income	16,951	28,926	17,396
Grants income	-	-	52,271
Interest and fiscal charges	(112,165)	(184,569)	(80,218)
Total non-operating revenues (expenses)	<u>(95,214)</u>	<u>(155,643)</u>	<u>(10,551)</u>
Income before contributions and transfers	208,228	730,070	(84,099)
Transfers in	-	-	82,000
Change in net assets	208,228	730,070	(2,099)
Net assets at beginning of year, as restated	8,492,055	5,700,526	8,909,169
Net assets at end of year	<u>\$ 8,700,283</u>	<u>\$ 6,430,596</u>	<u>\$ 8,907,070</u>

See accompanying notes to the basic financial statements.

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 985,195	4,726,572	\$ 594,716
-	-	29,228
-	56,935	-
1,652	65,625	-
<u>986,847</u>	<u>4,849,132</u>	<u>623,944</u>
311,457	1,387,827	-
347,091	1,036,403	-
44,758	333,802	-
-	-	620,469
24,360	597,031	-
188,019	307,300	-
<u>915,685</u>	<u>3,662,363</u>	<u>620,469</u>
<u>71,162</u>	<u>1,186,769</u>	<u>3,475</u>
-	63,273	-
46,130	98,401	-
-	(376,952)	-
<u>46,130</u>	<u>(215,278)</u>	<u>-</u>
117,292	971,491	3,475
-	82,000	100,000
117,292	1,053,491	103,475
1,497,097	24,598,847	(6,432)
<u>\$ 1,614,389</u>	<u>\$ 25,652,338</u>	<u>\$ 97,043</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Airport Fund
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,552,353	\$ 2,089,040	\$ 56,935
Other operating receipts	63,396	-	1,122
Cash paid to employees	(658,515)	(215,538)	-
Cash paid to suppliers	(391,950)	(746,284)	(16,440)
Cash paid for other expenses	(44,611)	(92,432)	(22,297)
Cash paid for claims	-	-	-
Net cash flows from operating activities	<u>520,673</u>	<u>1,034,786</u>	<u>19,320</u>
Cash Flows from Noncapital Financing Activities			
Transfers in (out)	-	-	82,000
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>82,000</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(75,918)	(364,503)	(145,519)
Grants	-	-	52,271
Payment of debt	(160,356)	(445,000)	(75,000)
Payment of interest	(112,165)	(184,569)	(80,218)
Net cash flows from capital and related financing activities	<u>(348,439)</u>	<u>(994,072)</u>	<u>(248,466)</u>
Cash Flows from Investing Activities			
Cash received from interest	16,951	28,926	17,396
Net cash flows from investing activities	<u>16,951</u>	<u>28,926</u>	<u>17,396</u>
Net change in cash	189,185	69,640	(129,750)
Cash and cash equivalents at beginning of year	578,638	1,993,979	630,150
Cash and cash equivalents at end of year	<u>\$ 767,823</u>	<u>\$ 2,063,619</u>	<u>\$ 500,400</u>

Flows from Operating Activities:

Operating income (loss)	\$ 303,442	\$ 885,713	\$ (73,548)
Add depreciation expense	267,886	216,155	88,630
(Increase)/Decrease in current assets			
Accounts receivable	(33,374)	(66,610)	-
Prepaid expenses	1,106	758	244
Materials and supplies inventory	(5,424)	478	-
Increase/(Decrease) in current liabilities			
Accounts payable	2,403	6,065	4,119
Accrued wages	22	838	-
Compensated absences	(13,138)	(10,323)	-
Refundable deposits	-	-	-
Intergovernmental Payable	(329)	(633)	-
Interest Payable	(577)	2,770	(125)
Pension obligations payable	(1,344)	(425)	-
Claims payable	-	-	-
Net Cash Flows from Operating Activities	<u>\$ 520,673</u>	<u>\$ 1,034,786</u>	<u>\$ 19,320</u>

See accompanying notes to the basic financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
\$ 990,298	\$ 4,688,626	\$ 594,716
144,898	209,416	29,228
(284,484)	(1,158,537)	-
(538,274)	(1,692,948)	-
(197,902)	(357,242)	-
-	-	(683,097)
<u>114,536</u>	<u>1,689,315</u>	<u>(59,153)</u>
-	82,000	100,000
-	<u>82,000</u>	<u>100,000</u>
(8,937)	(594,877)	-
46,130	98,401	-
-	(680,356)	-
-	(376,952)	-
<u>37,193</u>	<u>(1,553,784)</u>	<u>-</u>
-	63,273	-
-	<u>63,273</u>	<u>-</u>
151,729	280,804	40,847
1,073,681	4,276,448	56,196
<u>\$ 1,225,410</u>	<u>\$ 4,557,252</u>	<u>\$ 97,043</u>
\$ 71,162	\$ 1,186,769	\$ 3,475
24,360	597,031	-
(6,487)	(106,471)	-
-	2,108	57,406
-	(4,946)	-
(3,137)	9,450	-
3,242	4,102	-
19,591	(3,870)	-
1,665	1,665	-
1,826	864	-
2,314	2,068	-
-	545	-
-	-	(120,034)
<u>\$ 114,536</u>	<u>\$ 1,689,315</u>	<u>\$ (59,153)</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2005

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and cash equivalents	\$ 17,644	\$ 18,977
Cash and cash equivalents in a segregated account	-	30,180
Investments	60,000	-
Total Assets	77,644	49,157
Liabilities		
Deposits held and due to others	-	14,689
Undistributed assets	-	34,468
Total Liabilities	-	49,157
Net Assets		
Assets held in trust	\$ 77,644	\$ -

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest	\$ 2,549
Total Additions	<u>2,549</u>
Deductions	
Endowments	<u>2,400</u>
Total Deductions	<u>2,400</u>
Net Assets at beginning of year	<u>77,495</u>
Net assets at end of year	<u><u>\$ 77,644</u></u>

See accompanying notes to the basic financial statements

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

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

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

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

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property 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 government.

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 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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 for sales and services. Operating expenses for enterprise funds include the cost of sales and 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, 2005**

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 assets.

State statutes authorize the City to invest in obligations of the U.S. Treasury, repurchase agreements, bonds of the State of Ohio and STAR Ohio. Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005. The City had no investments in STAR Ohio at December 31, 2005.

For purposes of the combined statement of cash flows and for presentation on the combined 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. The City had no advance balances outstanding at December 31, 2005.

E. Inventories and Prepaid Items

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

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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 assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (\$5,000 for infrastructure) and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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 & Equipment	5-20 years

H. 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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. 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.

L. 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.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	General Fund
GAAP basis	\$ 860,576
Revenue accruals	(16,496)
Expenditure accruals	(47,013)
Encumbrances	<u>(133,432)</u>
Budget basis	<u>\$ 663,635</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS

For 2005, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the City's financial position or results of operations.

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

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

Inactive deposits are public deposits 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).

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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.

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

Deposits - At fiscal year end, the carrying amount of the City's deposits was \$6,999,725 and the bank balance was \$7,230,326. Of the bank balance, \$466,871 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments — Statutes authorize the City of Bellefontaine to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the state treasurer's investment pool.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	6 months or less	7 to 12 Months	13 to 24 Months	24 to 60 Months
Fifth Third U.S. Treasury	\$ 511,167	\$ 511,167	\$ -	\$ -	\$ -
First American Treasury Reserve Shares	308,396	308,396	-	-	-
Federal Home Loan Mtge Corp.	1,321,592	298,985	522,087	213,020	287,500
Federal Home Loan Bank	1,211,847	-	246,925	964,922	-
Federal National Mtge Association	1,750,155	898,969	49,431	801,755	-
Total	\$ 5,103,157	\$ 2,017,517	\$ 818,443	\$ 1,979,697	\$ 287,500

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk. The City's investments in First American Treasury Reserve Shares, Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation were rate Aaa by Moody's Investor Services. Fifth Third U.S. Treasury was unrated by Moody's Investor Services.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the City at December 31, 2005:

Investment Type	Fair Value	% of Total
Fifth Third U.S. Treasury	\$ 511,167	10%
First American Treasury Reserve Shares	308,396	6%
Federal Home Loan Mtge Corp.	1,321,592	26%
Federal Home Loan Bank	1,211,847	24%
Federal National Mtge Association	1,750,155	34%
Total	\$ 5,103,157	100%

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 5 - TAXES

Property Taxes

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

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, public utility property, and tangible personal property taxes, which became measurable as of December 31, 2005. The assessed valuations of the City for tax year 2004, which were used to collect taxes in calendar year 2005, are as follows:

	<u>Amount</u>	<u>Percent</u>
Real Estate (Other Than Public Utility)	\$193,905,430	83%
Public Utility	8,046,290	3%
Tangible Personal	<u>32,424,844</u>	<u>14%</u>
Total Assessed Value	<u>\$234,376,564</u>	<u>100%</u>

Income Taxes

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

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

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2005, was as follows:

Non-depreciated assets:

Land	\$ 5,666,809	\$ -	\$ -	\$ -	\$ 5,666,809
Construction in Progress	264,965	239,655	-	(47,360)	457,260

Capital assets, being depreciated:

Land Improvements	3,374,291	-	(16,854)	-	3,357,437
Buildings	4,124,419	-	-	-	4,124,419
Equipment	2,185,899	69,066	(76,403)	47,360	2,225,922
Furniture	197,752	37,704	(11,209)	-	224,247
Vehicles	2,165,305	446,661	-	-	2,611,966
Infrastructure	9,943,815	620,626	-	-	10,564,441
Total	<u>27,923,255</u>	<u>1,413,712</u>	<u>(104,466)</u>	<u>-</u>	<u>29,232,501</u>

Less accumulated depreciation for:

Land Improvements	75,185	9,383	-	-	84,568
Buildings	1,581,315	72,183	(16,854)	-	1,636,644
Equipment	1,338,793	159,928	-	-	1,498,721
Furniture	107,776	11,975	(76,403)	-	43,348
Vehicles	1,057,970	96,171	(11,209)	-	1,142,932
Infrastructure	3,510,048	555,186	-	-	4,065,234
Total	<u>7,671,087</u>	<u>904,826</u>	<u>(104,466)</u>	<u>-</u>	<u>8,471,447</u>

Total capital assets, net	<u>\$ 20,252,168</u>	<u>\$ 508,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,761,054</u>
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Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$63,529
Health	4,347
Judicial	29,019
Legislative and Executive	67,404
Public Safety	131,479
Public Works	192,898
Transportation	416,150
Total	<u>\$ 904,826</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Proprietary capital asset activity for the year ended December 31, 2005, was as follows:

Description	Beginning Balance, as restated	Additions	Deletions	Ending Balance
Non-depreciated assets:				
Land	\$ 1,784,949	\$ -	\$ -	\$ 1,784,949
Construction in Progress	75,000	309,874	-	384,874
Capital assets, being depreciated:				
Land Improvements	7,759,289	40,053	-	7,799,342
Buildings	10,014,059	84,802	-	10,098,861
Equipment	3,201,346	104,408	(19,360)	3,286,394
Furniture	18,621	-	-	18,621
Vehicles	684,699	-	-	684,699
Infrastructure	10,856,109	48,925	-	10,905,034
Total	<u>34,394,072</u>	<u>588,062</u>	<u>(19,360)</u>	<u>34,962,774</u>
Less accumulated depreciation for:				
Land Improvements	334,364	11,968	-	346,332
Buildings	1,788,554	177,283	-	1,965,837
Equipment	1,129,881	158,069	(19,360)	1,268,590
Furniture	5,373	1,906	-	7,279
Vehicles	363,404	29,595	-	392,999
Infrastructure	2,390,806	218,210	-	2,609,016
Total	<u>6,012,382</u>	<u>597,031</u>	<u>(19,360)</u>	<u>6,590,053</u>
Total capital assets, net	<u>\$ 28,381,690</u>	<u>\$ (8,969)</u>	<u>\$ -</u>	<u>\$ 28,372,721</u>

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

Water	\$ 267,886
Sewer	216,155
Airport	88,630
Other Nonmajor	<u>24,360</u>
Total	<u>\$ 597,031</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due in One Year
Governmental Activities:					
Special Assessments:					
South Main Street, 6.25/7%, 2009	\$ 75,000	\$ -	\$ (15,000)	\$ 60,000	\$ 15,000
Lakewood Drive, 3.60/6.40%, 2012	115,000	-	(10,000)	105,000	10,000
TIF:					
Gunntown Road, 4.5/6%, 2015	-	600,000	-	600,000	45,000
Amortization of premium on sale of bonds	-	51,276	-	51,276	7,921
Compensated Absences Payable	938,917	714,096	(787,941)	865,072	513,344
Total Governmental Activities	<u>\$ 1,128,917</u>	<u>\$ 1,365,372</u>	<u>\$ (812,941)</u>	<u>\$ 1,681,348</u>	<u>\$ 591,265</u>
Business-Type Activities:					
Revenue and General Obligation Bonds:					
Storm Water, 3.85/5.20%, 2014	\$ 1,030,000	\$ -	\$ (85,000)	\$ 945,000	\$ 85,000
Sewer System, 3.24/4.35%, 2011	2,755,000	-	(350,000)	2,405,000	360,000
Water System, 3.75/5%, 2015	2,280,000	-	(160,000)	2,120,000	170,000
Airport Improve., 2/4.80%, 2023	1,975,000	-	(75,000)	1,900,000	75,000
O.P.W.C, 0%, 2014	100,000	-	(10,000)	90,000	10,000
O.P.W.C, 0%, 2025	14,241	-	(356)	13,885	712
Compensated Absences Payable	176,318	98,820	(102,690)	172,448	77,307
Total Business-Type Activities	<u>\$ 8,330,559</u>	<u>\$ 98,820</u>	<u>\$ (783,046)</u>	<u>\$ 7,646,333</u>	<u>\$ 778,019</u>
Total Long-Term Obligations	<u>\$ 9,459,476</u>	<u>\$ 1,464,192</u>	<u>\$ (1,595,987)</u>	<u>\$ 9,327,681</u>	<u>\$ 1,369,284</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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.

Special assessment bonds were issued to provide funds for south main street and lakewood drive improvements. These bonds will be repaid from amounts levied against the property owners benefited from these improvements.

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

A summary of the City's future debt service requirements as of December 31, 2005 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2006	\$ 70,000	\$ 40,730
2007	80,000	38,255
2008	85,000	34,025
2009	85,000	29,563
2010	75,000	25,093
2011-2015	<u>370,000</u>	<u>39,713</u>
	<u>\$ 765,000</u>	<u>\$ 207,379</u>

Business-Type Activities:

2006	\$ 700,712	\$ 328,864
2007	730,712	300,685
2008	760,712	270,239
2009	800,712	237,918
2010	830,712	203,566
2011-2015	2,628,560	555,750
2016-2025	<u>1,021,765</u>	<u>230,460</u>
	<u>\$ 7,473,885</u>	<u>\$ 2,127,482</u>

The compensated absences liability represents accrued bonus, compensatory time, vacation and sick leave benefits as of December 31, 2005 (See Note 10). The compensated absences will be paid from the funds in which the salaries are paid.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

The 2005 member contribution rate for City employees was 8.5% of covered payroll. The 2005 employer contribution rate for the City was 13.55% of covered payroll. The City's required contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$390,910, \$466,523, and \$451,149 respectively. The full amount has been contributed for 2004 and 2003. 73.4 percent has been contributed for 2005 with the remainder being reported as a fund liability.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple- employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by 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. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.50% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2005, 2004, and 2003 were \$450,782, \$470,962, and \$478,093, respectively. The full amount has been contributed for 2004 and 2003. 72.7 percent has been contributed for 2005 with the remainder being reported as a fund liability.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (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.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55% of covered payroll, and 4% was used to fund health care.

The assumptions and calculations below were based on the Retirement System's latest Actuarial Review performed as of December 31, 2004.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The investment assumption rate for 2004 was 8%. An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB's are advance-funded on an actuarially determined basis. At year-end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of the City's 2005 contributions that were used to fund post-employment benefits were \$115,397.

\$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004. The Actuarial Valuation as of December 31, 2004, actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provided statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2004 and 2005. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for Police and 10,528 for Firefighters. The portion of the City's 2005 contributions that were used to fund post-employment benefits were \$89,730 for Police and \$72,599 for Firefighters. OP&F's total health care expense for the year ended December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of member contributions of \$55,665,341.

NOTE 10 - EMPLOYEE BENEFITS

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

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

At December 31, 2005, the City's liability for accumulated unpaid sick leave was \$446,869. A liability of \$351,728 has been recognized in the governmental activities and \$95,141 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$590,651. A liability of \$513,344 has been recognized in the governmental activities and \$77,307 has been recognized in the business-type activities.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 11 – LIABILITY INSURANCE

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 12 – CONTINGENT LIABILITIES

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

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

NOTE 13 - CONDUIT DEBT OBLIGATIONS

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

The original issuance for the Revenue Bonds in 1993 was \$13,745,000 and the total Lease-purchase and Sublease-purchase was \$2,955,000. As of December 31, 2005, the revenue bonds and the lease purchase and sublease-purchases outstanding were \$4,150,000 and \$0 respectively.

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 14 – RESTATEMENT OF FUND BALANCE/NET ASSETS

Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning fund balance/net assets to restate that amount to what it would have been had the error not occurred.

The City's fiscal year 2005 basic financial statements reflect prior period adjustments to the General Fund, Sewer Fund and Airport Fund balances. Balances have been restated for the following:

- a) To properly reflect the City's obligation for contractually obligated pension liability, in accordance with GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, issued in December 2004.
- b) To properly reflect capital asset balances.

These adjustments had the following effects on fund balance and net asset beginning balances:

Governmental Fund Financial Statements:

	<u>General Fund</u>
Fund Balance, December 31, 2004	\$ 816,754
Pension Obligation Payable	<u>(125,402)</u>
Fund Balance, January 1, 2005	<u>\$ 691,352</u>

Proprietary Fund Financial Statements:

	<u>Sewer</u>	<u>Airport</u>
Net Assets, December 31, 2004	\$ 5,525,560	\$ 9,122,468
Capital Asset Restatement	<u>174,966</u>	<u>(213,299)</u>
Net Assets, January 1, 2005	<u>\$ 5,700,526</u>	<u>\$ 8,909,169</u>

Entity-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, December 31, 2004	\$ 26,492,105	\$ 24,637,180
Capital Asset Restatement	<u>(146,343)</u>	<u>(38,333)</u>
Net Assets, January 1, 2005	<u>\$ 26,345,762</u>	<u>\$ 24,598,847</u>

**CITY OF BELLEFONTAINE, OHIO
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 15 – INTERFUND TRANSFERS

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

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>Other Governmental Funds</u>	<u>Airport</u>	<u>Internal Service Fund</u>	
General Fund	\$ 652,997	\$ 82,000	\$ 100,000	\$ 834,997
Other Governmental Funds	52,113	-	-	52,113
Total Transfers Out	<u>\$ 652,997</u>	<u>\$ 82,000</u>	<u>\$ 100,000</u>	<u>\$ 834,997</u>

Transfers are used (1) to move receipts restricted to debt service from the fund(s) collecting the receipts to the debt service fund(s) as debt service payments become due, (2) to move matching monies to finance the City's share of grant expenses, and (3) 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 and grant requirements.

CITY OF BELLEFONTAINE
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

<u>Federal Grantor/Program Title</u>	<u>Grant #</u>	<u>CFDA #</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<i><u>U.S. Department of Housing and Urban Development:</u></i>				
Passed through Ohio Department of Development:				
Community Development Block Grant-CHIP	A-C-03-093-1	14.228	\$ 42,176	\$ 46,176
Community Development Block Grant-CHIP	A-C-05-093-1	14.228	27,900	20,800
Community Development Block Grant-Formula	A-F-03-093-1	14.228	71,000	71,000
Community Development Block Grant-Community Distress	A-X-03-093-1	14.228	271,000	271,000
Total Community Development Block Grant			<u>412,076</u>	<u>408,976</u>
Home Investment Partnership Program-HOME	A-C-03-093-2	14.239	102,869	170,863
Home Investment Partnership Program-HOME	A-C-05-093-2	14.239	26,995	8,000
Total Home Investment Partnership Program-HOME			<u>129,864</u>	<u>178,863</u>
Total U.S. Department of Housing and Urban Development			<u>541,940</u>	<u>587,839</u>
<i><u>U.S. Department of Transportation:</u></i>				
<i><u>Federal Highway Administration</u></i>				
Passed through Ohio Department of Transportation				
Highway Planning and Construction	P.I.D. 78656	20.205	161,600	161,600
Total Federal Highway Administration			<u>161,600</u>	<u>161,600</u>
<i><u>Federal Aviation Administration</u></i>				
FAA Non Primary Entitlement	AIP 3-39-0125-0604	20.106	52,271	52,271
Total Federal Aviation Administration			<u>52,271</u>	<u>52,271</u>
Total U.S. Department of Transportation			<u>213,871</u>	<u>213,871</u>
Total Federal Assistance			<u>\$ 755,811</u>	<u>\$ 801,710</u>

See accompanying Note to the Schedule of Federal Awards Expenditures

CITY OF BELLEFONTAINE
Logan County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311-1474

We have audited 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, Ohio (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City of Bellefontaine, Ohio's basic financial statements and have issued our report thereon dated July 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated July 8, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

July 8, 2006

Charles E. Harris & Associates, Inc.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Bellefontaine
Logan County
135 North Detroit Street
Bellefontaine, Ohio 43311-1474

Compliance

We have audited the compliance of the City of Bellefontaine with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
July 8, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**CITY OF BELLEFONTAINE
LOGAN COUNTY
December 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	CDBG/CHIP, Formula, Community Distress CFDA #14.228
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	\$300,000
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

CITY OF BELLEFONTAINE
LOGAN COUNTY
December 31, 2003

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2004, reported no material citations or recommendations.



**Auditor of State
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CITY OF BELLEFONTAINE

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 28, 2006**