

CITY OF BELLBROOK

Basic Financial Statements

December 31, 2006 and 2005

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

City Council
City of Bellbrook
15 East Franklin St.
Bellbrook, OH 45305

We have reviewed the *Independent Auditors' Report* of the City of Bellbrook, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 to December 31, 2006. 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 Bellbrook is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 5, 2007

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CITY OF BELLBROOK, OHIO
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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

City Council
City of Bellbrook
15 E. Franklin Street
Bellbrook, Ohio 45305

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 Bellbrook, Ohio (the City) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

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 Bellbrook, Ohio as of December 31, 2006 and 2005, and the respective change in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Street Fund, Police Fund and Fire Fund for the years 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 August 28, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The Management's Discussion and Analysis sections on pages 3-16 and 59-72 are not required parts of the basic financial statements but are supplementary information as required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
August 28, 2007

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

The management's discussion and analysis of the City of Bellbrook's (the "City") 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$296,367. Net assets of governmental activities increased \$121,957 or 2.10% over 2004 and net assets of business-type activities increased \$174,410 or 1.81% over 2004.
- General revenues accounted for \$2,651,174 of total governmental activities revenue. Program specific revenues accounted for \$673,878 or 20.27% of total governmental activities revenue.
- The City had \$3,203,095 in expenses related to governmental activities; \$673,878 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,529,217 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$2,651,174.
- The general fund had revenues and other financing sources of \$1,156,520 in 2005. This represents an increase of \$56,721 from 2004. The expenditures and other financing uses of the general fund, which totaled \$1,069,609 in 2005, decreased \$83,763 from 2004. The net increase in fund balance for the general fund was \$86,911 or 25.48%.
- The street fund had revenues of \$305,301 in 2005. The expenditures of the street fund, totaled \$275,169 in 2005. The net increase in fund balance for the street fund was \$30,132 or 33.18%.
- The police fund had revenues of \$1,157,950 in 2005. The expenditures of the police fund, totaled \$1,165,469 in 2005. The net decrease in fund balance for the police fund was \$7,519 or 41.09%.
- The fire fund had revenues of \$672,908 in 2005. The expenditures of the fire fund, totaled \$635,086 in 2005. The net increase in fund balance for the fire fund was \$37,822 or 352.16%.
- The capital improvement fund had other financing sources of \$500,000 in 2005. The expenditures of the capital improvement fund, totaled \$273,830 in 2005. The net increase in fund balance for the capital improvement fund was \$226,170 or 27.30%.
- Net assets for the business-type activities, which are made up of the Water and Waste Collection enterprise funds, increased in 2005 by \$174,410. This increase in net assets was due primarily to adequate charges for services revenues.
- In the general fund, the actual revenues and other financing sources came in \$33,412 higher than they were in the final budget and actual expenditures and other financing uses were \$268,150 less than the amount in the final budget. Budgeted expenditures were increased \$300,000 from the original to the final budget. Budgeted revenues were increased \$130,000 from the original to the final budget.

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street fund, police fund, fire fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-29 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and waste management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 30-33 of this report.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-58 of this report.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2005 compared to 2004.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>						
Current and other assets	\$ 4,269,408	\$ 3,801,660	\$ 1,412,119	\$ 1,195,562	\$ 5,681,527	\$ 4,997,222
Capital assets	<u>4,032,113</u>	<u>4,222,793</u>	<u>9,743,809</u>	<u>9,856,751</u>	<u>13,775,922</u>	<u>14,079,544</u>
Total assets	<u>8,301,521</u>	<u>8,024,453</u>	<u>11,155,928</u>	<u>11,052,313</u>	<u>19,457,449</u>	<u>19,076,766</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	187,760	200,141	1,289,793	1,348,778	1,477,553	1,548,919
Other liabilities	<u>2,196,826</u>	<u>2,029,334</u>	<u>81,030</u>	<u>92,840</u>	<u>2,277,856</u>	<u>2,122,174</u>
Total liabilities	<u>2,384,586</u>	<u>2,229,475</u>	<u>1,370,823</u>	<u>1,441,618</u>	<u>3,755,409</u>	<u>3,671,093</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	4,032,113	4,222,793	8,500,309	8,548,251	12,532,422	12,771,044
Restricted	1,395,723	1,101,546	-	-	1,395,723	1,101,546
Unrestricted	<u>489,099</u>	<u>470,639</u>	<u>1,284,796</u>	<u>1,062,444</u>	<u>1,773,895</u>	<u>1,533,083</u>
Total net assets	<u>\$ 5,916,935</u>	<u>\$ 5,794,978</u>	<u>\$ 9,785,105</u>	<u>\$ 9,610,695</u>	<u>\$ 15,702,040</u>	<u>\$ 15,405,673</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$15,702,040. At year-end, net assets were \$5,916,935 and \$9,785,105 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70.80% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, utility structures in service, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$4,032,113 and \$8,500,309 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,395,723, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$489,099 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net assets for fiscal year 2005 compared to 2004.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program revenues:						
Charges for services	\$ 229,614	\$ 276,869	\$ 1,824,611	\$ 1,843,785	\$ 2,054,225	\$ 2,120,654
Operating grants and contributions	444,264	412,949	-	4,476	444,264	417,425
Total program revenues	<u>673,878</u>	<u>689,818</u>	<u>1,824,611</u>	<u>1,848,261</u>	<u>2,498,489</u>	<u>2,538,079</u>
General revenues:						
Property taxes	1,942,977	1,923,705	-	-	1,942,977	1,923,705
Unrestricted grants and entitlements	494,720	531,185	3,700	-	498,420	531,185
Investment earnings	80,459	26,340	-	-	80,459	26,340
Gain on sale of capital assets	7,865	7,865	-	-	7,865	7,865
Miscellaneous	125,153	140,464	5,324	9,708	130,477	150,172
Total general revenues	<u>2,651,174</u>	<u>2,629,559</u>	<u>9,024</u>	<u>9,708</u>	<u>2,660,198</u>	<u>2,639,267</u>
Total revenues	<u>3,325,052</u>	<u>3,319,377</u>	<u>1,833,635</u>	<u>1,857,969</u>	<u>5,158,687</u>	<u>5,177,346</u>
Expenses:						
General government	441,844	409,718	-	-	441,844	409,718
Security of persons and property	2,077,849	1,921,783	-	-	2,077,849	1,921,783
Public health and welfare	491	559	-	-	491	559
Transportation	640,184	396,883	-	-	640,184	396,883
Community environment	27,651	29,893	-	-	27,651	29,893
Leisure time activity	15,076	11,672	-	-	15,076	11,672
Water	-	-	1,323,370	1,399,403	1,323,370	1,399,403
Waste collection	-	-	335,855	313,101	335,855	313,101
Total expenses	<u>3,203,095</u>	<u>2,770,508</u>	<u>1,659,225</u>	<u>1,712,504</u>	<u>4,862,320</u>	<u>4,483,012</u>
Transfers	-	(177,702)	-	177,702	-	-
Change in net assets	121,957	371,167	174,410	323,167	296,367	694,334
Net assets at beginning of year	<u>5,794,978</u>	<u>5,423,811</u>	<u>9,610,695</u>	<u>9,287,528</u>	<u>15,405,673</u>	<u>14,711,339</u>
Net assets at end of year	<u>\$ 5,916,935</u>	<u>\$ 5,794,978</u>	<u>\$ 9,785,105</u>	<u>\$ 9,610,695</u>	<u>\$ 15,702,040</u>	<u>\$ 15,405,673</u>

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

Governmental activities net assets increased \$121,957 in 2005. This increase is a result of a slight increase in revenues and no transfers to business-type activities.

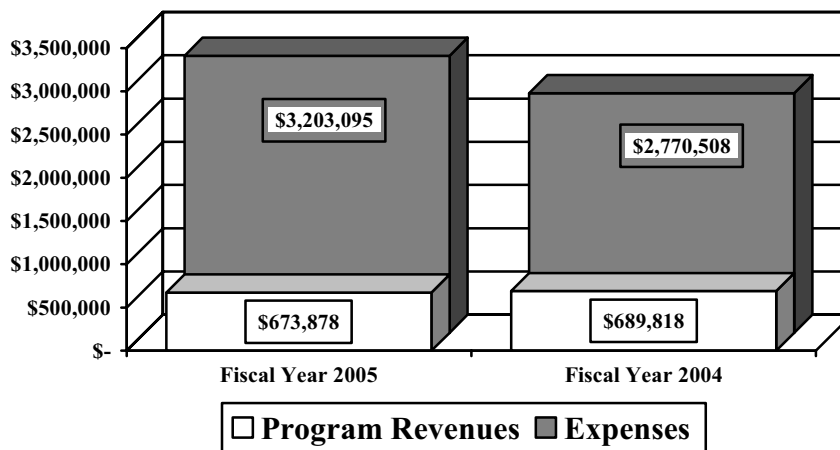
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,077,849 or 64.87% of the total governmental expenses of the City. Security of persons and property expenses were partially funded by \$134,186 in direct charges to users of the services. General government expenses totaled \$441,844. General government expenses were partially funded by \$54,817 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$444,264 in operating grants and contributions. These revenues are restricted to a particular program or purpose. \$353,325 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$2,651,174, and amounted to 79.73% of total governmental revenues. These revenues primarily consist of property tax revenue of \$1,942,977. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$494,720.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements for 2005 compared to 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF BELLBROOK, OHIO

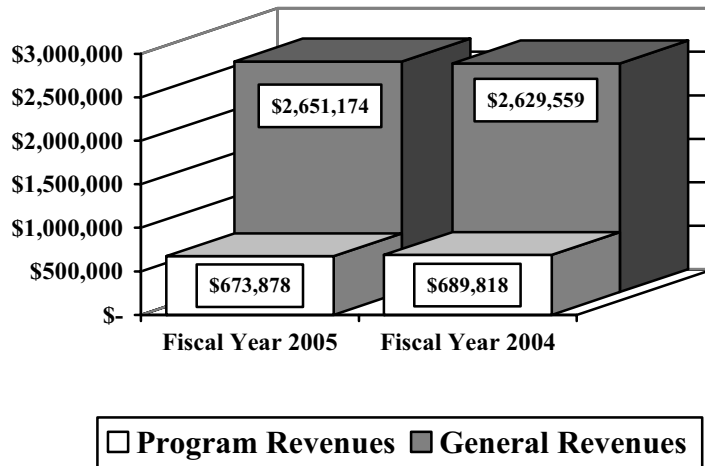
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 441,844	\$ 348,421	\$ 409,718	\$ 320,088
Security of persons and property	2,077,849	1,891,330	1,921,783	1,772,223
Public health and welfare	491	491	559	559
Transportation	640,184	254,523	396,883	7,685
Community environment	27,651	19,376	29,893	(31,537)
Leisure time activity	15,076	15,076	11,672	11,672
Total	\$ 3,203,095	\$ 2,529,217	\$ 2,770,508	\$ 2,080,690

The dependence upon general revenues for governmental activities is apparent, with 78.96% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2005.

Governmental Activities – General and Program Revenues

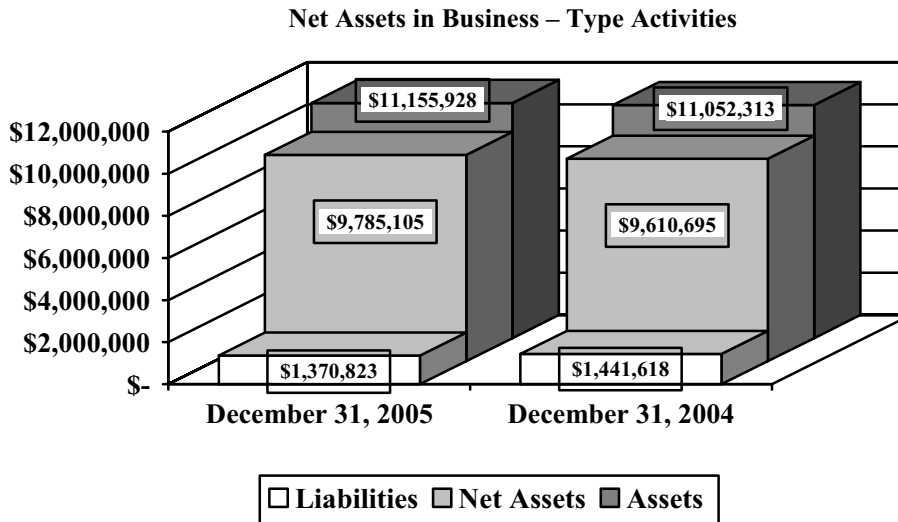


CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$1,824,611, general revenues of \$9,024 and expenses of \$1,659,225 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$1,650,286 which is \$383,655 above last year's total of \$1,266,631. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and non-major governmental funds.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

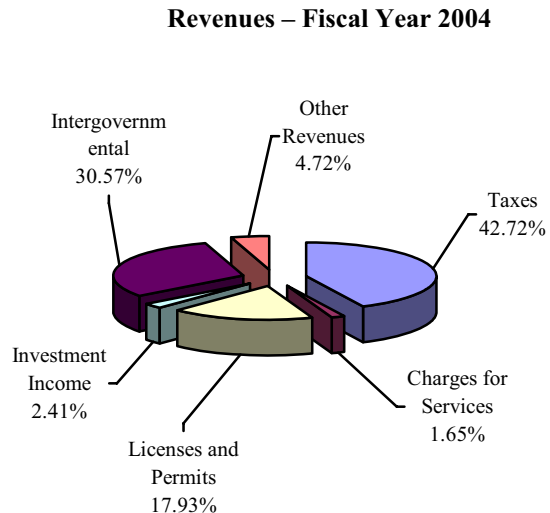
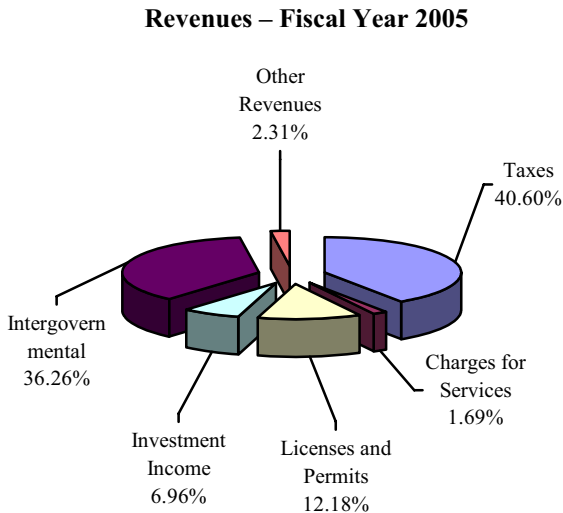
	<u>Fund Balances</u> 12/31/05	<u>Fund Balances</u> 12/31/04	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 428,047	\$ 341,136	\$ 86,911
Street	120,933	90,801	30,132
Police	(25,816)	(18,297)	(7,519)
Fire	48,562	10,740	37,822
Capital improvement	1,054,611	828,441	226,170
Other nonmajor governmental funds	23,949	13,810	10,139
Total	<u>\$ 1,650,286</u>	<u>\$ 1,266,631</u>	<u>\$ 383,655</u>

General Fund

The City's general fund balance increased \$86,911. The table that follows assists in illustrating the revenues of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 469,571	\$ 466,523	0.65 %
Charges for services	19,552	17,982	8.73 %
Licenses and permits	140,862	195,765	(28.05) %
Investment income	80,459	26,296	205.97 %
Intergovernmental	419,332	333,798	25.62 %
Other	26,744	51,570	(48.14) %
Total	<u>\$ 1,156,520</u>	<u>\$ 1,091,934</u>	5.91 %

Tax revenue represents 40.60% of all general fund revenue. Tax revenue increased .65% over prior year. The decrease in licenses and permits revenue is due to a decrease in the collections. The increase in investment income is due to the increase in interest rates on the City's investments during the year.



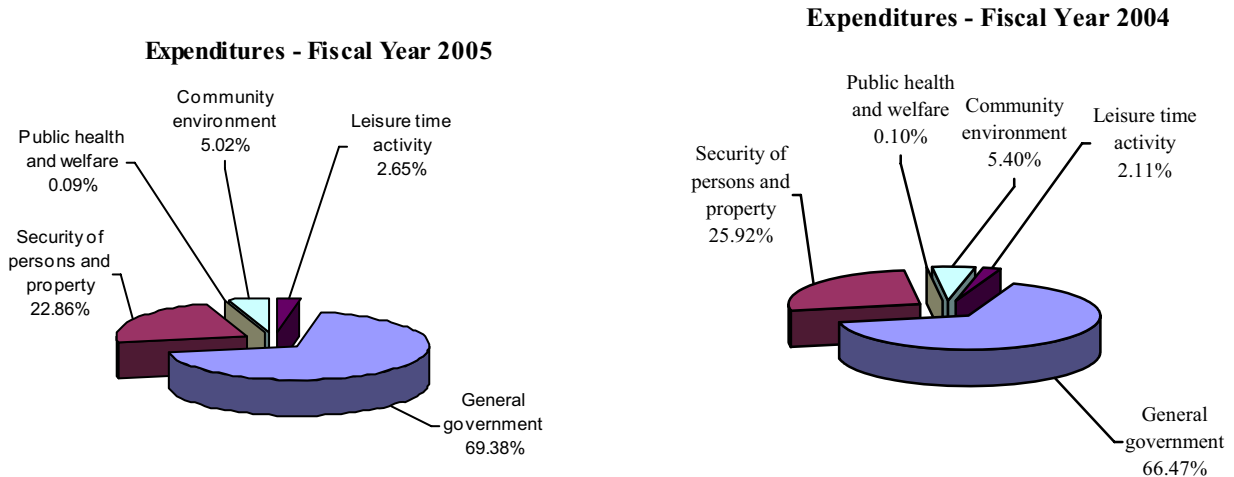
CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 395,055	\$ 367,671	7.45
Security of persons and property	130,192	143,391	(9.20)
Public health and welfare	491	559	(12.16)
Community environment	28,576	29,864	(4.31)
Leisure time activity	<u>15,076</u>	<u>11,651</u>	29.40
 Total	 <u>\$ 569,390</u>	 <u>\$ 553,136</u>	 2.94

The City increased total expenditures by 2.94%. The largest expenditure line item, general government, increased slightly, which is primarily attributed to wage and benefit increases.



Street Fund

The street fund had revenues of \$305,301 in 2005. The expenditures of the street fund, totaled \$275,169 in 2005. The net increase in fund balance for the street fund was \$30,132 or 33.18%.

Police Fund

The police fund had revenues of \$1,157,950 in 2005. The expenditures of the police fund, totaled \$1,165,469 in 2005. The net decrease in fund balance for the police fund was \$7,519 or 41.09%.

Fire Fund

The fire fund had revenues of \$672,908 in 2005. The expenditures of the fire fund, totaled \$635,086 in 2005. The net increase in fund balance for the fire fund was \$37,822 or 352.16%.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Capital Improvement Fund

The capital improvement fund had other financing sources of \$500,000 in 2005. The expenditures of the capital improvement fund, totaled \$273,830 in 2005. The net increase in fund balance for the capital improvement fund was \$226,170 or 27.30%.

Proprietary Funds

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

Budgeting Highlights

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

Budgetary information is presented for the general fund, street fund, police fund and fire fund. In the general fund, the actual revenues and other financing sources came in \$33,412 higher than they were in the final budget and actual expenditures and other financing uses were \$268,150 less than the amount in the final budget. Budgeted expenditures were increased \$300,000 from the original to the final budget. Budgeted revenues were increased \$130,000 from the original to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the City had \$13,775,922 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$4,032,113 was reported in governmental activities and \$9,743,809 was reported in business-type activities. See Note 8 for further description of capital assets. The following table shows fiscal 2005 balances compared to 2004:

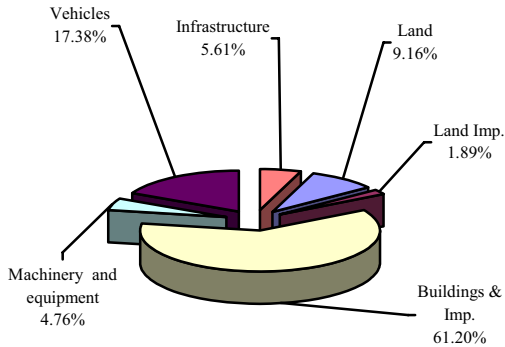
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 369,451	\$ 369,451	\$ 381,489	\$ 381,489	\$ 750,940	\$ 750,940
Construction in Progress	-	-	68,267	-	68,267	-
Land improvements	76,095	92,724	12,433	14,043	88,528	106,767
Buildings and improvements	2,467,824	2,542,683	1,361,526	1,411,073	3,829,350	3,953,756
Machinery and equipment	192,111	328,903	208,346	160,678	400,457	489,581
Vehicles	700,612	800,623	33,409	39,874	734,021	840,497
Infrastructure	226,020	88,409	-	-	226,020	88,409
Utility structures in service	-	-	7,678,339	7,849,594	7,678,339	7,849,594
Totals	<u>\$ 4,032,113</u>	<u>\$ 4,222,793</u>	<u>\$ 9,743,809</u>	<u>\$ 9,856,751</u>	<u>\$ 13,775,922</u>	<u>\$ 14,079,544</u>

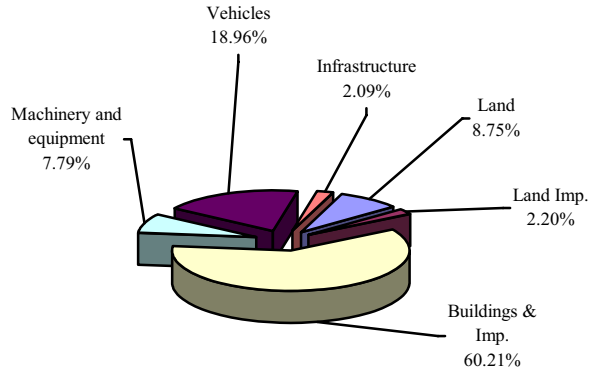
The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Capital Assets - Governmental Activities 2005



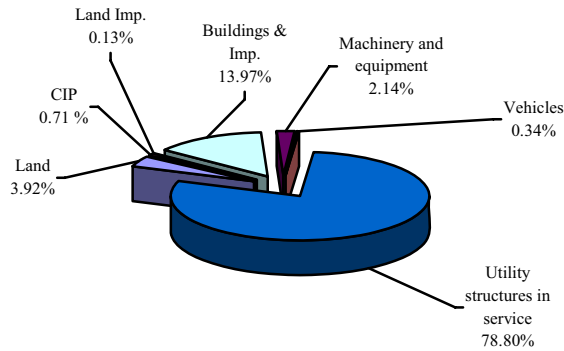
Capital Assets - Governmental Activities 2004



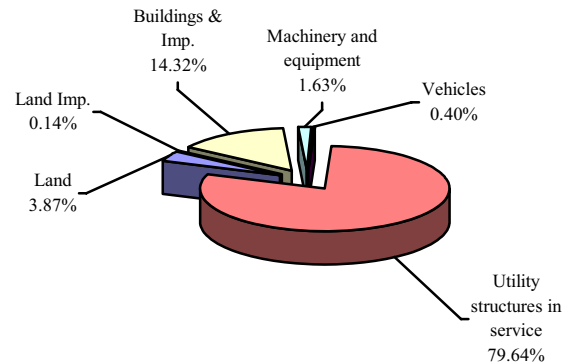
This is the City's second year of reporting infrastructure. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 5.61% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.

Capital Assets - Business-Type Activities 2005



Capital Assets - Business-Type Activities 2004



The City's largest business-type capital asset category is utility structures in service which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility structures in service (cost less accumulated depreciation) represents approximately 78.80% of the City's total business-type capital assets.

CITY OF BELLBROOK, OHIO

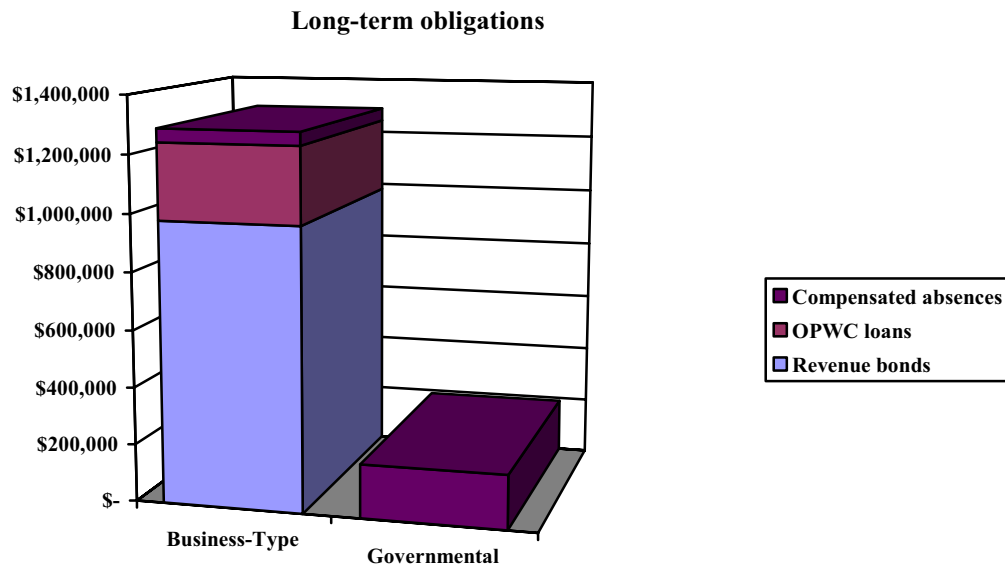
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Compensated absences	<u>\$ 187,760</u>	<u>\$ 200,141</u>
Total long-term obligations	<u>\$ 187,760</u>	<u>\$ 200,141</u>
	Business-type Activities	
	<u>2005</u>	<u>2004</u>
Revenue bonds	\$ 981,000	\$1,021,000
OPWC loans	262,500	287,500
Compensated absences	<u>46,293</u>	<u>40,278</u>
Total long-term obligations	<u>\$1,289,793</u>	<u>\$1,348,778</u>

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



Further detail on the City's long-term obligations can be found in Note 10 to the financial statements.

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

Economic Conditions and Outlook

The City of Bellbrook is among the approximately 5 cities in Ohio (out of a total of over 250 cities) that do not levy a local income tax. This means that the gain or loss of jobs in the local economy has little impact upon revenues in the General Fund. Bellbrook is a suburban bedroom community with virtually no manufacturing businesses and a limited number of service and retail operations.

The largest source of revenue is therefore property taxes, primarily generated from single-family housing. Residential development boomed in the 1980's and 1990's but has moderated recently as land available for residential building becomes more limited in Bellbrook.

In 2005, there were 4 active housing developments underway including our first upscale condominium project containing 44 units, which are now selling for over \$200,000 apiece. The single-family houses are all selling for at least \$350,000 and some around \$750,000. Two additional developments began the approval process with a total of 133 lots planned for houses with a minimum value of \$500,000.

Police and Fire Department operations are funded by their own property tax levies with major capital costs paid from the Capital Improvement Fund. Service Department costs are funded by the Water and Street Funds with some capital construction costs such as street reconstruction paid from the Capital Improvement Fund.

The City's cash balances in the General Fund and the Capital Improvement Fund (which is funded wholly by transfers from the General Fund) have steadily increases since 2001: \$524,374 (2001); \$598,965 (2002); \$730,908 (2003); \$1,108,718 (2004); \$1,466,583.76 (2005). This has resulted from careful planning as we prepare for continuing reductions in State funding and additional investment in our infrastructure, especially neighborhood streets.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Mr. David Hamilton, Finance Director, 15 East Franklin Street, Bellbrook, Ohio 45305.

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,563,503	\$ 945,282	\$ 2,508,785
Cash and cash equivalents with fiscal agents	12,532	-	12,532
Receivables (net of allowances for uncollectibles):			
Real and other taxes	2,085,767	-	2,085,767
Accounts	67,961	383,821	451,782
Due from other governments	482,462	-	482,462
Prepayments	19,300	23,507	42,807
Materials and supplies inventory.	37,883	59,509	97,392
Capital assets:			
Land	369,451	381,489	750,940
Construction in progress.	-	68,267	68,267
Depreciable capital assets, net	<u>3,662,662</u>	<u>9,294,053</u>	<u>12,956,715</u>
Total capital assets, net	<u>4,032,113</u>	<u>9,743,809</u>	<u>13,775,922</u>
 Total assets.	 <u>8,301,521</u>	 <u>11,155,928</u>	 <u>19,457,449</u>
Liabilities:			
Accounts payable.	11,385	18,592	29,977
Accrued wages and benefits	67,486	14,690	82,176
Due to other governments	104,585	15,048	119,633
Unearned revenue.	2,013,370	-	2,013,370
Accrued interest payable.	-	32,700	32,700
Long-term liabilities:			
Due within one year	105,952	88,124	194,076
Due in more than one year	<u>81,808</u>	<u>1,201,669</u>	<u>1,283,477</u>
 Total liabilities	 <u>2,384,586</u>	 <u>1,370,823</u>	 <u>3,755,409</u>
Net assets:			
Invested in capital assets, net of related debt	4,032,113	8,500,309	12,532,422
Restricted for:			
Capital improvement	1,054,611	-	1,054,611
Street	193,069	-	193,069
Fire	113,816	-	113,816
Other purposes.	34,227	-	34,227
Unrestricted	<u>489,099</u>	<u>1,284,796</u>	<u>1,773,895</u>
 Total net assets.	 <u>\$ 5,916,935</u>	 <u>\$ 9,785,105</u>	 <u>\$ 15,702,040</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 441,844	\$ 54,817	\$ 38,606
Security of persons and property.	2,077,849	134,186	52,333
Public health and welfare	491	-	-
Transportation	640,184	32,336	353,325
Community environment.	27,651	8,275	-
Leisure time activity.	15,076	-	-
Total governmental activities	<u>3,203,095</u>	<u>229,614</u>	<u>444,264</u>
Business-type Activities:			
Water	1,323,370	1,491,010	-
Waste collection	335,855	333,601	-
Total business-type activities	<u>1,659,225</u>	<u>1,824,611</u>	<u>-</u>
Total primary government.	<u>\$ 4,862,320</u>	<u>\$ 2,054,225</u>	<u>\$ 444,264</u>

General Revenues:

Property taxes levied for:

- General purposes.
- Fire and rescue.
- Police
- Police pension
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Gain on sale of capital assets.
- Miscellaneous

Total general revenues.

Change in net assets.

Net assets at beginning of year

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
\$ (348,421)	\$ -	\$ (348,421)
(1,891,330)	-	(1,891,330)
(491)	-	(491)
(254,523)	-	(254,523)
(19,376)	-	(19,376)
(15,076)	-	(15,076)
<u>(2,529,217)</u>	<u>-</u>	<u>(2,529,217)</u>
-	167,640	167,640
-	(2,254)	(2,254)
-	165,386	165,386
<u>(2,529,217)</u>	<u>165,386</u>	<u>(2,363,831)</u>
467,802	-	467,802
419,510	-	419,510
1,018,136	-	1,018,136
37,529	-	37,529
494,720	3,700	498,420
80,459	-	80,459
7,865	-	7,865
125,153	5,324	130,477
2,651,174	9,024	2,660,198
121,957	174,410	296,367
<u>5,794,978</u>	<u>9,610,695</u>	<u>15,405,673</u>
<u>\$ 5,916,935</u>	<u>\$ 9,785,105</u>	<u>\$ 15,702,040</u>

CITY OF BELLBROOK, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Street</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 411,971	\$ 40,892	\$ 7,889
Receivables (net of allowance for uncollectibles):			
Real and other taxes.	532,520	-	1,065,824
Accounts	26,874	-	-
Due from other governments	167,911	130,642	63,300
Prepayments.	3,857	1,073	10,649
Materials and supplies inventory	-	27,934	7,959
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	12,532	-
Total assets	<u>\$ 1,143,133</u>	<u>\$ 213,073</u>	<u>\$ 1,155,621</u>
Liabilities:			
Accounts payable	\$ 7,932	\$ -	\$ 1,120
Accrued wages and benefits.	9,898	5,781	38,386
Due to other governments.	62,378	4,755	12,807
Deferred revenue	634,878	81,604	1,129,124
Total liabilities	<u>715,086</u>	<u>92,140</u>	<u>1,181,437</u>
Fund Balances:			
Reserved for encumbrances.	49,370	2,858	349
Reserved for prepayments	3,857	1,073	10,649
Reserved for materials and supplies inventory	-	27,934	7,959
Reserved for restricted assets.	-	12,532	-
Unreserved, undesignated (deficit), reported in:			
General fund.	374,820	-	-
Special revenue funds.	-	76,536	(44,773)
Capital projects funds.	-	-	-
Total fund balances (deficit).	<u>428,047</u>	<u>120,933</u>	<u>(25,816)</u>
Total liabilities and fund balances.	<u>\$ 1,143,133</u>	<u>\$ 213,073</u>	<u>\$ 1,155,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 31,395	\$ 1,054,611	\$ 16,745	\$ 1,563,503
446,054	-	41,369	2,085,767
39,462	-	1,625	67,961
105,588	-	15,021	482,462
3,721	-	-	19,300
1,990	-	-	37,883
-	-	-	12,532
<u>\$ 628,210</u>	<u>\$ 1,054,611</u>	<u>\$ 74,760</u>	<u>\$ 4,269,408</u>
\$ 2,128	\$ -	\$ 205	\$ 11,385
13,421	-	-	67,486
24,549	-	96	104,585
539,550	-	50,510	2,435,666
<u>579,648</u>	<u>-</u>	<u>50,811</u>	<u>2,619,122</u>
15,972	2,606	96	71,251
3,721	-	-	19,300
1,990	-	-	37,883
-	-	-	12,532
-	-	-	374,820
26,879	-	23,853	82,495
-	1,052,005	-	1,052,005
<u>48,562</u>	<u>1,054,611</u>	<u>23,949</u>	<u>1,650,286</u>
<u>\$ 628,210</u>	<u>\$ 1,054,611</u>	<u>\$ 74,760</u>	<u>\$ 4,269,408</u>

CITY OF BELLBROOK, OHIO

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

Total governmental fund balances		\$	1,650,286
<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.			4,032,113
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	72,377	
Charges for services		27,175	
Intergovernmental revenues		<u>322,744</u>	
Total			422,296
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.			<u>(187,760)</u>
Net assets of governmental activities		\$	<u><u>5,916,935</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Street</u>	<u>Police</u>
Revenues:			
Property and other taxes	\$ 469,571	\$ -	\$ 1,008,327
Charges for services	19,552	-	-
Licenses and permits	140,862	-	-
Intergovernmental	419,332	303,551	147,358
Special assessments	-	-	-
Investment income	80,459	-	-
Other	26,744	1,750	2,265
Total revenues	<u>1,156,520</u>	<u>305,301</u>	<u>1,157,950</u>
Expenditures:			
Current:			
General government	395,055	-	-
Security of persons and property	130,192	-	1,165,469
Public health and welfare	491	-	-
Transportation	-	275,169	-
Community environment	28,576	-	-
Leisure time activity	15,076	-	-
Capital outlay	-	-	-
Total expenditures	<u>569,390</u>	<u>275,169</u>	<u>1,165,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>587,130</u>	<u>30,132</u>	<u>(7,519)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	<u>(500,219)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(500,219)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	86,911	30,132	(7,519)
Fund balances (deficit)			
at beginning of year	<u>341,136</u>	<u>90,801</u>	<u>(18,297)</u>
Fund balances (deficit) at end of year	<u>\$ 428,047</u>	<u>\$ 120,933</u>	<u>\$ (25,816)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Fire</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 421,747	\$ -	\$ 37,664	\$ 1,937,309
139,059	-	632	159,243
-	-	32,336	173,198
104,214	-	43,401	1,017,856
-	-	60	60
-	-	-	80,459
7,888	-	1,679	40,326
<u>672,908</u>	<u>-</u>	<u>115,772</u>	<u>3,408,451</u>
-	-	168	395,223
635,086	-	42,882	1,973,629
-	-	-	491
-	-	62,802	337,971
-	-	-	28,576
-	-	-	15,076
-	273,830	-	273,830
<u>635,086</u>	<u>273,830</u>	<u>105,852</u>	<u>3,024,796</u>
<u>37,822</u>	<u>(273,830)</u>	<u>9,920</u>	<u>383,655</u>
-	500,000	219	500,219
-	-	-	(500,219)
-	<u>500,000</u>	<u>219</u>	<u>-</u>
37,822	226,170	10,139	383,655
<u>10,740</u>	<u>828,441</u>	<u>13,810</u>	<u>1,266,631</u>
<u>\$ 48,562</u>	<u>\$ 1,054,611</u>	<u>\$ 23,949</u>	<u>\$ 1,650,286</u>

CITY OF BELLBROOK, OHIO

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 \$ 383,655

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$	218,054	
Current year depreciation		<u>(279,391)</u>	
 Total			 (61,337)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (129,343)

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

Property taxes	\$	(30,604)	
Charges for services		(10,135)	
Intergovernmental revenue		<u>(42,660)</u>	
 Total			 (83,399)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 12,381

Change in net assets of governmental activities \$ 121,957

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 412,968	\$ 466,000	\$ 483,814	\$ 17,814
Charges for services	14,356	16,200	19,567	3,367
Licenses and permits.	128,499	145,000	142,696	(2,304)
Intergovernmental	376,661	425,031	422,758	(2,273)
Investment income	70,896	80,000	80,459	459
Other	8,862	10,000	21,200	11,200
Total revenues.	<u>1,012,242</u>	<u>1,142,231</u>	<u>1,170,494</u>	<u>28,263</u>
Expenditures:				
Current:				
General government	708,784	498,784	401,104	97,680
Security of persons and property	290,768	290,768	167,506	123,262
Public health and welfare.	5,000	5,000	491	4,509
Transportation	5,000	5,000	-	5,000
Community environment	40,000	40,000	28,639	11,361
Leisure time activity	32,447	32,447	15,890	16,557
Total expenditures	<u>1,081,999</u>	<u>871,999</u>	<u>613,630</u>	<u>258,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,757)</u>	<u>270,232</u>	<u>556,864</u>	<u>286,632</u>
Other financing sources (uses):				
Sale of capital assets	-	-	5,249	5,249
Transfers in	89	100	-	(100)
Transfers out	-	(510,000)	(500,219)	9,781
Total other financing sources (uses).	<u>89</u>	<u>(509,900)</u>	<u>(494,970)</u>	<u>14,930</u>
Net change in fund balance	(69,668)	(239,668)	61,894	301,562
Fund balance at beginning of year	204,976	204,976	204,976	-
Prior year encumbrances appropriated	<u>72,799</u>	<u>72,799</u>	<u>72,799</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 208,107</u>	<u>\$ 38,107</u>	<u>\$ 339,669</u>	<u>\$ 301,562</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 295,000	\$ 300,000	\$ 308,213	\$ 8,213
Other	-	-	1,750	1,750
Total revenues.	<u>295,000</u>	<u>300,000</u>	<u>309,963</u>	<u>9,963</u>
Expenditures:				
Current:				
Transportation	<u>308,000</u>	<u>313,000</u>	<u>285,736</u>	<u>27,264</u>
Total expenditures	<u>308,000</u>	<u>313,000</u>	<u>285,736</u>	<u>27,264</u>
Net change in fund balance	(13,000)	(13,000)	24,227	37,227
Fund balance at beginning of year	<u>13,807</u>	<u>13,807</u>	<u>13,807</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 807</u>	<u>\$ 807</u>	<u>\$ 38,034</u>	<u>\$ 37,227</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 972,124	\$ 984,500	\$ 1,008,327	\$ 23,827
Intergovernmental	142,190	144,000	147,358	3,358
Other	24,686	25,000	2,265	(22,735)
Total revenues.	<u>1,139,000</u>	<u>1,153,500</u>	<u>1,157,950</u>	<u>4,450</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,158,942</u>	<u>1,173,942</u>	<u>1,172,424</u>	<u>1,518</u>
Total expenditures	<u>1,158,942</u>	<u>1,173,942</u>	<u>1,172,424</u>	<u>1,518</u>
Net change in fund balance	(19,942)	(20,442)	(14,474)	5,968
Fund balance at beginning of year	17,952	17,952	17,952	-
Prior year encumbrances appropriated	<u>2,942</u>	<u>2,942</u>	<u>2,942</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 952</u>	<u>\$ 452</u>	<u>\$ 6,420</u>	<u>\$ 5,968</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 396,850	\$ 420,000	\$ 421,747	\$ 1,747
Charges for services	122,835	130,000	146,173	16,173
Intergovernmental	66,142	70,000	72,640	2,640
Other	14,173	15,000	7,395	(7,605)
Total revenues.	<u>600,000</u>	<u>635,000</u>	<u>647,955</u>	<u>12,955</u>
Expenditures:				
Current:				
Security of persons and property	<u>619,669</u>	<u>654,669</u>	<u>654,523</u>	<u>146</u>
Total expenditures	<u>619,669</u>	<u>654,669</u>	<u>654,523</u>	<u>146</u>
Net change in fund balance	(19,669)	(19,669)	(6,568)	13,101
Fund balance at beginning of year	16,725	16,725	16,725	-
Prior year encumbrances appropriated	<u>3,169</u>	<u>3,169</u>	<u>3,169</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 225</u>	<u>\$ 225</u>	<u>\$ 13,326</u>	<u>\$ 13,101</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2005

	Business-type Activities -Enterprise Funds		
	Water	Waste Collection	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 930,605	\$ 14,677	\$ 945,282
Receivables (net of allowance for uncollectibles):			
Accounts	376,823	6,998	383,821
Prepayments	23,507	-	23,507
Materials and supplies inventory	59,509	-	59,509
Total current assets	<u>1,390,444</u>	<u>21,675</u>	<u>1,412,119</u>
Noncurrent assets:			
Capital assets:			
Land	381,489	-	381,489
Construction in progress	68,267	-	68,267
Depreciable capital assets, net	9,175,294	118,759	9,294,053
Total capital assets	<u>9,625,050</u>	<u>118,759</u>	<u>9,743,809</u>
Total assets	<u>11,015,494</u>	<u>140,434</u>	<u>11,155,928</u>
Liabilities:			
Current liabilities:			
Accounts payable	18,592	-	18,592
Accrued wages and benefits	14,690	-	14,690
Compensated absences	22,124	-	22,124
Due to other governments	15,048	-	15,048
Current portion of OPWC loans	25,000	-	25,000
Current portion of revenue bonds	41,000	-	41,000
Accrued interest payable	32,700	-	32,700
Total current liabilities	<u>169,154</u>	<u>-</u>	<u>169,154</u>
Long-term liabilities:			
Revenue bonds	940,000	-	940,000
OPWC loans	237,500	-	237,500
Compensated absences	24,169	-	24,169
Total long-term liabilities	<u>1,201,669</u>	<u>-</u>	<u>1,201,669</u>
Total liabilities	<u>1,370,823</u>	<u>-</u>	<u>1,370,823</u>
Net assets:			
Invested in capital assets, net of related debt	8,381,550	118,759	8,500,309
Unrestricted	1,263,121	21,675	1,284,796
Total net assets	<u>\$ 9,644,671</u>	<u>\$ 140,434</u>	<u>9,785,105</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Operating revenues:			
Charges for services	\$ 1,491,010	\$ 333,601	\$ 1,824,611
Other	5,027	297	5,324
Total operating revenues	1,496,037	333,898	1,829,935
Operating expenses:			
Personal services	729,219	1,987	731,206
Contract services	197,519	322,272	519,791
Materials and supplies	83,974	5,002	88,976
Depreciation	245,923	10,584	256,507
Other	2,736	374	3,110
Total operating expenses.	1,259,371	340,219	1,599,590
Operating income (loss)	236,666	(6,321)	230,345
Nonoperating revenues (expenses):			
Intergovernmental	3,700	-	3,700
Interest expense and fiscal charges	(49,717)	-	(49,717)
Loss on disposal of capital assets	(9,918)	-	(9,918)
Total nonoperating revenues (expenses)	(55,935)	-	(55,935)
Changes in net assets	180,731	(6,321)	174,410
Net assets at beginning of year	9,463,940	146,755	9,610,695
Net assets at end of year.	\$ 9,644,671	\$ 140,434	\$ 9,785,105

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,481,619	\$ 331,261	\$ 1,812,880
Cash received from other operations	5,027	297	5,324
Cash payments for personal services	(722,492)	(1,987)	(724,479)
Cash payments for contract services	(197,420)	(344,929)	(542,349)
Cash payments for materials and supplies	(61,516)	(5,002)	(66,518)
Cash payments for other expenses	(2,736)	(374)	(3,110)
 Net cash provided by (used in) operating activities.	 502,482	 (20,734)	 481,748
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	3,700	-	3,700
 Net cash provided by (used in) noncapital financing activities	 3,700	 -	 3,700
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(153,483)	-	(153,483)
Principal retirement on revenue bonds	(40,000)	-	(40,000)
Principal retirement on OPWC loans.	(25,000)	-	(25,000)
Interest and fiscal charges.	(51,050)	-	(51,050)
 Net cash used in capital and related financing activities	 (269,533)	 -	 (269,533)
 Net increase (decrease) in cash and cash equivalents.	 236,649	 (20,734)	 215,915
 Cash and cash equivalents at beginning of year . . .	 693,956	 35,411	 729,367
Cash and cash equivalents at end of year.	\$ 930,605	\$ 14,677	\$ 945,282

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CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss).	\$ 236,666	\$ (6,321)	\$ 230,345
Adjustments:			
Depreciation	245,923	10,584	256,507
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	12,262	-	12,262
(Increase) in accounts receivable	(9,391)	(2,340)	(11,731)
(Increase) in prepayments.	(1,173)	-	(1,173)
Increase (decrease) in accounts payable	10,471	(22,657)	(12,186)
(Decrease) in accrued wages and benefits.	(10,481)	-	(10,481)
Increase in due to other governments	12,190	-	12,190
Increase in compensated absences payable	6,015	-	6,015
Net cash provided by (used in) operating activities . . .	<u>\$ 502,482</u>	<u>\$ (20,734)</u>	<u>\$ 481,748</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 15,504
Receivables:	
Accounts.	<u>2,534</u>
Total assets.	<u>\$ 18,038</u>
Liabilities:	
Accounts payable.	\$ 3,597
Due to others	<u>14,441</u>
Total liabilities	<u>\$ 18,038</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

The City of Bellbrook (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 is a charter municipal corporation which incorporated on January 13, 1971, and a charter was adopted on November 2, 1971.

The City operates under a council-mayor form of government and provides the following services: police protection, water and sewer utility services, street maintenance and repair, as well as other services. Legislative power is vested in a seven-member council with separately elected Mayor serving a two-year term and six council members elected to four-year terms. The Council appoints the City Manager and Clerk of Council. The City Manager is Chief Executive Officer and the head of the administrative agencies of the City who appoints all department heads and employees.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based on the foregoing criteria, the City has no component units.

The primary government consists of all funds and departments which provide various services including police protection, street maintenance and repair, parks, recreation, water, and refuse services. Council and the City Manager are directly responsible for these activities.

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The City's (BFS) consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

C. Fund Accounting

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

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Street Fund - The street fund accounts for all transactions relating to street maintenance and construction.

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Police Fund - The police fund accounts for all transactions relating to the police department.

Fire Fund - The fire fund accounts for all transactions relating to the fire department.

Capital Improvement Fund - The capital improvement fund accounts for improvement projects.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Waste Collection Fund - This fund accounts for the provision of waste collection service to the residents and commercial users located within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

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

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs, claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, and fees.

Unearned/Deferred Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, legally are required to be budgeted and appropriated.

TAX BUDGET

During the first Council meeting in July, the City Finance Director presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

ESTIMATED RESOURCES

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The amounts reported on the budgetary statements reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

APPROPRIATIONS

Appropriation budgets are legally required for each fund at the object level within each department. This is known as the legal level of budgetary control. Appropriation modifications outside the legal level of budgetary control must be approved by City Council. A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2005.

G. Cash and Cash Equivalents

To improve cash management, cash received by the City except cash held by a fiscal agent, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2005, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2005, interest revenue earned and credited to the general fund during 2005 amounted to \$80,459, including \$68,681 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

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

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. The City uses the consumption method.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2005, the City's capitalization threshold was \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land Improvements	10 - 15 years	10 - 15 years
Buildings	50 years	50 years
Equipment	5 - 20 years	5 - 20 years
Vehicles	5 - 20 years	5 - 20 years
Infrastructure	20 - 50 years	20 - 50 years
Utility Structures in Service	n/a	50 - 75 years

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. No such transactions occurred during fiscal year 2005.

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Interfund Activity

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

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

O. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, materials and supplies inventory and restricted assets in the governmental fund financial statements.

P. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There were no contributions of capital during 2005.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

CITY OF BELLBROOK, OHIO

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and waste collection programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 4 for GASB Statement No. 40.

B. Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 2005:

	Deficit <u>Fund Balance</u>
<u>Major Governmental Fund</u>	
Police Fund	\$ 25,816

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the Police special revenue fund is a result of the application of GAAP, namely in the recognition of a liability for interfund loans attributable to the current year. This deficit will be eliminated by intergovernmental revenues not recognized at December 31.

CITY OF BELLBROOK, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

CITY OF BELLBROOK, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

At year-end, the City had \$12,532 on deposit with the Greene County Treasurer for permissive funds collected but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from the Greene County Comprehensive Annual Financial Report for the year ended December 31, 2005. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all City deposits was \$(98,075), exclusive of the \$106,200 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, the entire bank balance of \$947 was covered by Federal Deposit Insurance Corporation.

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 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 bank 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.

C. Investments

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

<u>Investment type</u>	<u>Balance at</u> <u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or</u> <u>less</u>
STAR Ohio	\$ 2,516,164	\$ 2,516,164
Repurchase agreement	<u>106,200</u>	<u>106,200</u>
	<u>\$ 2,622,364</u>	<u>\$ 2,622,364</u>

CITY OF BELLBROOK, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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 of each investment type held by the City at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 2,516,164	95.95%
Repurchase agreement	<u>106,200</u>	<u>4.05%</u>
	<u>\$ 2,622,364</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (98,075)
Investments	2,622,364
Cash with fiscal agent	<u>12,532</u>
Total	<u>\$ 2,536,821</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,576,035
Business type activities	945,282
Agency fund	<u>15,504</u>
Total	<u>\$ 2,536,821</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Capital Improvements	\$ 500,000
Nonmajor Special Revenue	<u>219</u>
Total	<u>\$ 500,219</u>

CITY OF BELLBROOK, OHIO

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

NOTE 5 - INTERFUND TRANSFERS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied on January 1 in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years with a triennial update. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 12; if paid semi-annually, the first payment is due February 12, with the remainder payable June 20. In certain instances, state statute permits earlier or later payment dates to be established.

Taxpayers (other than public utilities) become liable for tangible personal property taxes on January 1st of the current calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-City taxpayers are due September 20. Single City 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. Under Ohio law personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is currently assessed at 100% of its true value and real property is assessed at 35% of its true (market) value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2005 was \$17.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real property tax	\$ 149,464,570
Public utility tangible personal property	3,175,760
Tangible personal property	<u>2,036,780</u>
Total assessed valuation	<u>\$ 154,677,110</u>

CITY OF BELLBROOK, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2005, as well as intended to finance fiscal 2005 operations.

A summary of the receivables reported on the statement of net assets follows:

Governmental Activities:

Real and other taxes	\$2,085,767
Accounts	67,961
Due from other governments	482,462

Business-type Activities:

Accounts	383,821
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Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year.

CITY OF BELLBROOK, OHIO

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

NOTE 8 - CAPITAL ASSETS

A. In the prior year, the December 21, 2004 balance of Vehicles included Equipment totaling \$66,859, with accumulated depreciation of \$41,914. The December 31, 2004 Vehicles and Equipment balances have been restated to properly classify these assets. Their restatement had no effect on net assets at December 31, 2004. Capital asset activity for the year ended December 31, 2005, was as follows:

	Restated			Balance
<u>Governmental Activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
	12/31/04			12/31/05
<i>Capital assets, not being depreciated:</i>				
Land	\$ 369,451	\$ -	\$ -	\$ 369,451
Total capital assets, not being depreciated	<u>369,451</u>	<u>-</u>	<u>-</u>	<u>369,451</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	269,205	-	-	269,205
Buildings and improvements	3,046,352	-	-	3,046,352
Equipment	613,209	31,350	(140,275)	504,284
Vehicles	1,613,507	39,742	(31,337)	1,621,912
Infrastructure	<u>89,538</u>	<u>146,962</u>	<u>-</u>	<u>236,500</u>
Total capital assets, being depreciated	<u>5,631,811</u>	<u>218,054</u>	<u>(171,612)</u>	<u>5,678,253</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(176,481)	(16,629)	-	(193,110)
Buildings and improvements	(503,669)	(74,859)	-	(578,528)
Equipment	(284,306)	(38,799)	10,932	(312,173)
Vehicles	(812,884)	(139,753)	31,337	(921,300)
Infrastructure	<u>(1,129)</u>	<u>(9,351)</u>	<u>-</u>	<u>(10,480)</u>
Total accumulated depreciation	<u>(1,778,469)</u>	<u>(279,391)</u>	<u>42,269</u>	<u>(2,015,591)</u>
Total capital assets, being depreciated, net	<u>3,853,342</u>	<u>(61,337)</u>	<u>(129,343)</u>	<u>3,662,662</u>
Governmental activities capital assets, net	<u>\$ 4,222,793</u>	<u>\$ (61,337)</u>	<u>\$ (129,343)</u>	<u>\$ 4,032,113</u>

CITY OF BELLBROOK, OHIO

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

NOTE 8 - CAPITAL ASSETS - (Continued)

<u>Business-type Activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
	<u>12/31/04</u>			<u>12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 381,489	\$ -	\$ -	\$ 381,489
Construction in progress	<u>-</u>	<u>68,267</u>	<u>-</u>	<u>68,267</u>
Total capital assets, not being depreciated	<u>381,489</u>	<u>68,267</u>	<u>-</u>	<u>449,756</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	29,958	-	-	29,958
Buildings and improvements	2,031,706	-	-	2,031,706
Utility structures in service	12,370,520	-	-	12,370,520
Machinery and equipment	220,918	85,216	(47,605)	258,529
Vehicles	<u>96,378</u>	<u>-</u>	<u>-</u>	<u>96,378</u>
Total capital assets, being depreciated	<u>14,749,480</u>	<u>85,216</u>	<u>(47,605)</u>	<u>14,787,091</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(15,915)	(1,610)	-	(17,525)
Buildings and improvements	(620,633)	(49,547)	-	(670,180)
Utility structures in service	(4,520,926)	(171,255)	-	(4,692,181)
Machinery and equipment	(60,240)	(27,630)	37,687	(50,183)
Vehicles	<u>(56,504)</u>	<u>(6,465)</u>	<u>-</u>	<u>(62,969)</u>
Total accumulated depreciation	<u>(5,274,218)</u>	<u>(256,507)</u>	<u>37,687</u>	<u>(5,493,038)</u>
Total capital assets, being depreciated, net	<u>9,475,262</u>	<u>(171,291)</u>	<u>(9,918)</u>	<u>9,294,053</u>
Business-type activities capital assets, net	<u>\$ 9,856,751</u>	<u>\$ (103,024)</u>	<u>\$ (9,918)</u>	<u>\$ 9,743,809</u>

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

Governmental activities:

General government	\$ 43,947
Security of persons and property	190,553
Transportation	<u>44,891</u>
Total depreciation expense - governmental activities	<u>\$ 279,391</u>

CITY OF BELLBROOK, OHIO

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

NOTE 9 - OTHER EMPLOYEE BENEFITS

All full-time City employees earn sick leave at the rate of 4.6 hours per pay, up to a limit of 120 days. Upon qualifying to retire under the Public Employees Retirement System, an employee who has unused accumulated sick leave of 75 days or more is eligible to be paid for these days up to a maximum of 45 days. An employee resigning can be paid for up to 20 days of accumulated sick leave. Police and fire employees retiring under the Ohio Police and Fire Pension Fund may receive one day paid for every three days accumulated up a maximum of 40 days. The total obligations for sick leave accrual for the City as a whole as of December 31, 2005 was \$105,977.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$128,076 at December 31, 2005.

The City provides a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded in the Statement of Net Assets. During 2005, the amount decreased \$6,366 from a beginning year balance of \$240,419 to a year end balance of \$234,053.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2005, the following changes occurred in the governmental activities long-term obligations:

	Balance			Balance	Amounts
	12/31/04	Additions	Reductions	12/31/05	Due in
<u>Governmental Activities:</u>					<u>One Year</u>
Compensated absences	\$ 200,141	\$ 119,794	\$ (132,175)	\$ 187,760	\$ 105,952
Total long-term obligations, governmental activities	<u>\$ 200,141</u>	<u>\$ 119,794</u>	<u>\$ (132,175)</u>	<u>\$ 187,760</u>	<u>\$ 105,952</u>

Compensated absences are reported in the statement of net assets and will be paid from the fund which the employee's salaries are paid.

B. During 2005, the following changes occurred in the business-type activities long-term obligations:

	Balance			Balance	Amounts
	12/31/04	Additions	Reductions	12/31/05	Due in
<u>Business-type Activities:</u>					<u>One Year</u>
<u>Revenue Bonds</u>					
1982 5.00% Waterworks system	\$ 1,021,000	-	\$ (40,000)	\$ 981,000	\$ 41,000
<u>Ohio Public Works Commision Loan</u>					
1995 0.00% Elevated Water Storage Tan	287,500	-	(25,000)	262,500	25,000
<u>Other long-term obligations</u>					
Compensated absences	<u>40,278</u>	<u>29,588</u>	<u>(23,573)</u>	<u>46,293</u>	<u>22,124</u>
Total long-term obligations, business type activities	<u>\$ 1,348,778</u>	<u>\$ 29,588</u>	<u>\$ (88,573)</u>	<u>\$ 1,289,793</u>	<u>\$ 88,124</u>

CITY OF BELLBROOK, OHIO

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2005, follows:

Year Ending December 31,	Revenue Bonds			OPWC Loan		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 41,000	\$ 49,050	\$ 90,050	\$ 25,000	\$ -	\$ 25,000
2007	44,000	47,000	91,000	25,000	-	25,000
2008	46,000	44,800	90,800	25,000	-	25,000
2009	48,000	42,500	90,500	25,000	-	25,000
2010	50,000	40,100	90,100	25,000	-	25,000
2011 - 2015	292,000	160,150	452,150	125,000	-	125,000
2016 - 2020	373,000	79,450	452,450	12,500	-	12,500
2021	87,000	4,350	91,350	-	-	-
	<u>\$ 981,000</u>	<u>\$ 467,400</u>	<u>\$ 1,448,400</u>	<u>\$ 262,500</u>	<u>\$ -</u>	<u>\$ 262,500</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2005, the City's total debt margin was \$15,978,597 and the unvoted debt margin was \$8,244,741.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association (MVRMA), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a joint self-insurance pool for 20 member cities. The City pays an annual premium to MVRMA for its general insurance coverage. The agreement for formation of MVRMA provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies. The type of coverage and deductible for each is as follows:

CITY OF BELLBROOK, OHIO

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

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property Insurance	\$100,000,000	\$2,500
General Liability	7,000,000	2,500
Employment Practices and Public Officials Liability	7,000,000	2,500
Automobile Liability	7,000,000	2,500
Flood and Earthquake	25,000,000	2,500
Boiler and Machinery	100,000,000	2,500

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

Employees are covered for private medical coverage. Payments are made to the carrier by the City on behalf of the employees. The current carrier is United Health Care. The family and single rate is gender and age sensitive and different for each employee. Dental benefits and Life Insurance is also provided. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

CITY OF BELLBROOK, OHIO

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$154,201, \$150,399, and \$128,844, respectively. The full amount has been contributed for 2004 and 2003. 96.40% for OPERS has been contributed for 2005 with the remaining \$5,556 being reported as a liability in the respective funds.

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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ended December 31, 2005, 2004, and 2003 were \$207,253, \$191,001, and \$180,178, respectively. The full amount has been contributed for 2004 and 2003. 72.04% for police and fire has been contributed for 2005 with the remainder of \$57,950 being reported as a liability in the respective funds.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

CITY OF BELLBROOK, OHIO

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

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00% and 6.00% annually for the next eight years and 4.00% annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The number of active participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$45,521. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability 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's 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.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. 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.

CITY OF BELLBROOK, OHIO

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

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees have been 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 City's actual contributions for 2005 that were used to fund postemployment benefits for police officers and firefighters were \$56,270 and \$21,206 respectively. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 (the latest information available), was 13,812 for police and 10,528 for firefighters.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

CITY OF BELLBROOK, OHIO

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General	Street	Police	Fire
Budget basis	\$ 61,894	\$ 24,227	\$ (14,474)	\$ (6,568)
Net adjustment for revenue accruals	(13,974)	(4,662)	-	24,953
Net adjustment for expenditure accruals	(28,062)	7,709	5,486	1,368
Net adjustment for other sources/uses	(5,249)	-	-	-
Adjustment for encumbrances	72,302	2,858	1,469	18,069
GAAP basis	\$ 86,911	\$ 30,132	\$ (7,519)	\$ 37,822

NOTE 15 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2005.

B. Litigation

The City is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

The management's discussion and analysis of the City of Bellbrook's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net assets of the City increased \$1,229,101. Net assets of governmental activities increased \$860,517 or 14.54% over 2005 and net assets of business-type activities increased \$368,584 or 3.77% over 2005.
- General revenues accounted for \$2,900,720 of total governmental activities revenue. Program specific revenues accounted for \$984,781 or 25.35% of total governmental activities revenue.
- The City had \$3,024,984 in expenses related to governmental activities; \$984,781 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,040,203 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$2,900,720.
- The general fund had revenues of \$1,254,876 in 2006. This represents an increase of \$98,356 from 2005. The expenditures and other financing uses of the general fund, which totaled \$1,078,453 in 2006, increased \$8,844 from 2005. The net increase in fund balance for the general fund was \$176,423 or 41.22%.
- The street fund had revenues of \$289,591 in 2006. The expenditures of the street fund, totaled \$308,157 in 2006. The net decrease in fund balance for the street fund was \$18,566 or 15.35%.
- The police fund had revenues of \$1,191,186 in 2006. The expenditures of the police fund, totaled \$1,180,166 in 2006. The net increase in fund balance for the police fund was \$11,020 or 42.69%.
- The fire fund had revenues of \$669,540 in 2006. The expenditures of the fire fund, totaled \$710,987 in 2006. The net decrease in fund balance for the fire fund was \$41,447 or 85.35%.
- The capital improvement fund had other financing sources of \$500,000 in 2006. The expenditures of the capital improvement fund, totaled \$129,881 in 2006. The net increase in fund balance for the capital improvement fund was \$370,119 or 35.10%.
- Net assets for the business-type activities, which are made up of the Water and Waste collection enterprise funds, increased in 2006 by \$368,584.
- In the general fund, the actual revenues and other financing sources came in \$34,314 higher than they were in the final budget and actual expenditures and other financing uses were \$281,817 less than the amount in the final budget. Budgeted expenditures were increased \$70,000 from the original to the final budget. Budgeted revenues were increased \$134,032 from the original to the final budget.

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

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

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

The City's statement of net assets and statement of activities can be found on pages 73-75 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 66.

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street fund, police fund, fire fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 76-85 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and waste management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 86-89 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 90 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 91-114 of this report.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2006 compared to 2005.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Assets</u>						
Current and other assets	\$ 4,880,306	\$ 4,269,408	\$ 958,277	\$ 1,412,119	\$ 5,838,583	\$ 5,681,527
Capital assets	<u>4,423,154</u>	<u>4,032,113</u>	<u>10,470,828</u>	<u>9,743,809</u>	<u>14,893,982</u>	<u>13,775,922</u>
Total assets	<u>9,303,460</u>	<u>8,301,521</u>	<u>11,429,105</u>	<u>11,155,928</u>	<u>20,732,565</u>	<u>19,457,449</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	205,948	187,760	1,204,801	1,289,793	1,410,749	1,477,553
Other liabilities	<u>2,320,060</u>	<u>2,196,826</u>	<u>70,615</u>	<u>81,030</u>	<u>2,390,675</u>	<u>2,277,856</u>
Total liabilities	<u>2,526,008</u>	<u>2,384,586</u>	<u>1,275,416</u>	<u>1,370,823</u>	<u>3,801,424</u>	<u>3,755,409</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	4,423,154	4,032,113	9,293,328	8,500,309	13,716,482	12,532,422
Restricted	1,670,425	1,395,723	-	-	1,670,425	1,395,723
Unrestricted	<u>683,873</u>	<u>489,099</u>	<u>860,361</u>	<u>1,284,796</u>	<u>1,544,234</u>	<u>1,773,895</u>
Total net assets	<u>\$ 6,777,452</u>	<u>\$ 5,916,935</u>	<u>\$ 10,153,689</u>	<u>\$ 9,785,105</u>	<u>\$ 16,931,141</u>	<u>\$ 15,702,040</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by \$16,931,141. At year-end, net assets were \$6,777,452 and \$10,153,689 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 71.87% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, utility structures in service, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$4,423,154 and \$9,293,328 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,670,425, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$683,873 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

The table below shows the comparative analysis of changes in net assets for fiscal year 2006 compared to 2005.

	Change in Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program revenues:						
Charges for services	\$ 220,961	\$ 229,614	\$ 1,730,268	\$ 1,824,611	\$ 1,951,229	\$ 2,054,225
Operating grants and contributions	388,522	444,264	-	-	388,522	444,264
Capital grants and contributions	<u>375,298</u>	<u>-</u>	<u>207,238</u>	<u>-</u>	<u>582,536</u>	<u>-</u>
Total program revenues	<u>984,781</u>	<u>673,878</u>	<u>1,937,506</u>	<u>1,824,611</u>	<u>2,922,287</u>	<u>2,498,489</u>
General revenues:						
Property taxes	2,052,254	1,942,977	-	-	2,052,254	1,942,977
Unrestricted grants and entitlements	581,822	494,720	209,309	3,700	791,131	498,420
Investment earnings	148,397	80,459	-	-	148,397	80,459
Gain on sale of capital assets	-	7,865	-	-	-	7,865
Miscellaneous	<u>118,247</u>	<u>125,153</u>	<u>7,306</u>	<u>5,324</u>	<u>125,553</u>	<u>130,477</u>
Total general revenues	<u>2,900,720</u>	<u>2,651,174</u>	<u>216,615</u>	<u>9,024</u>	<u>3,117,335</u>	<u>2,660,198</u>
Total revenues	<u>3,885,501</u>	<u>3,325,052</u>	<u>2,154,121</u>	<u>1,833,635</u>	<u>6,039,622</u>	<u>5,158,687</u>
Expenses:						
General government	383,891	441,844	-	-	383,891	441,844
Security of persons and property	2,244,644	2,077,849	-	-	2,244,644	2,077,849
Public health and welfare	284	491	-	-	284	491
Transportation	345,016	640,184	-	-	345,016	640,184
Community environment	32,053	27,651	-	-	32,053	27,651
Leisure time activity	19,096	15,076	-	-	19,096	15,076
Water	-	-	1,451,028	1,323,370	1,451,028	1,323,370
Waste collection	<u>-</u>	<u>-</u>	<u>334,509</u>	<u>335,855</u>	<u>334,509</u>	<u>335,855</u>
Total expenses	<u>3,024,984</u>	<u>3,203,095</u>	<u>1,785,537</u>	<u>1,659,225</u>	<u>4,810,521</u>	<u>4,862,320</u>
Change in net assets	860,517	121,957	368,584	174,410	1,229,101	296,367
Net assets at beginning of year	<u>5,916,935</u>	<u>5,794,978</u>	<u>9,785,105</u>	<u>9,610,695</u>	<u>15,702,040</u>	<u>15,405,673</u>
Net assets at end of year	<u>\$ 6,777,452</u>	<u>\$ 5,916,935</u>	<u>\$ 10,153,689</u>	<u>\$ 9,785,105</u>	<u>\$ 16,931,141</u>	<u>\$ 15,702,040</u>

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Governmental Activities

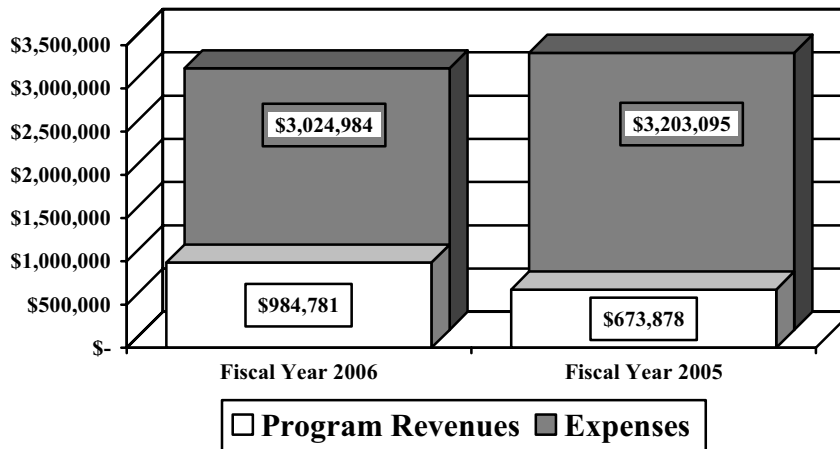
Governmental activities net assets increased \$860,517 in 2006. Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,244,644 or 74.20% of the total expenses of the City. Security of persons and property expenses were partially funded by \$117,813 in direct charges to users of the services. General government expenses totaled \$383,891. General government expenses were partially funded by \$61,479 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$763,820 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. \$702,050 of the operating grants and contributions and capital grants and contributions subsidized transportation programs.

General revenues totaled \$2,900,720, and amounted to 74.65% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,052,254. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$148,397.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements for 2006 compared to 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF BELLBROOK, OHIO

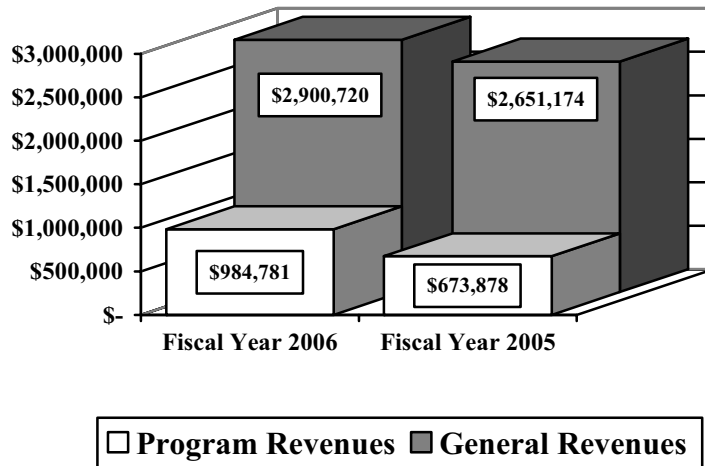
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 383,891	\$ 308,841	\$ 441,844	\$ 348,421
Security of persons and property	2,244,644	2,078,632	2,077,849	1,891,330
Public health and welfare	284	284	491	491
Transportation	345,016	(388,763)	640,184	254,523
Community environment	32,053	22,113	27,651	19,376
Leisure time activity	19,096	19,096	15,076	15,076
Total	\$ 3,024,984	\$ 2,040,203	\$ 3,203,095	\$ 2,529,217

The dependence upon general revenues for governmental activities is apparent, with 67.45% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2006.

Governmental Activities – General and Program Revenues

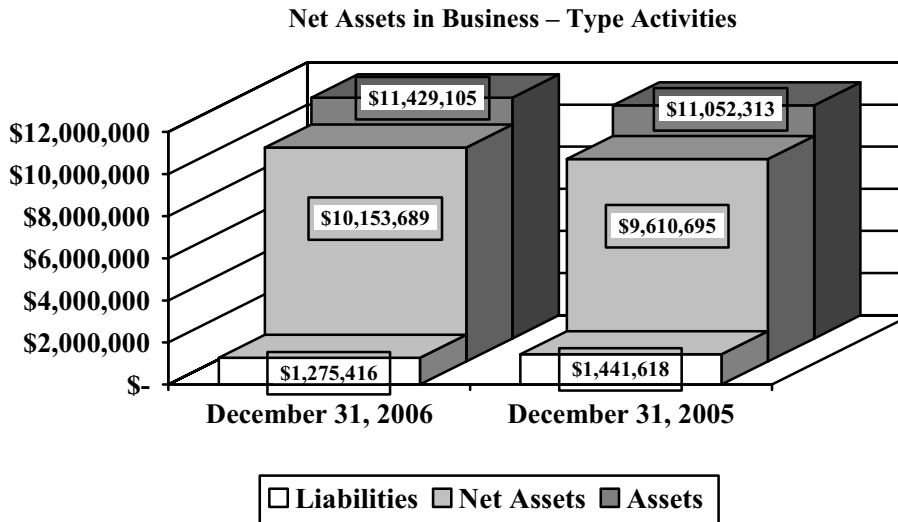


CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$1,937,506 and expenses of \$1,785,537 for 2006. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 76-77) reported a combined fund balance of \$2,149,084 which is \$498,798 above last year's total of \$1,650,286. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2006 for all major and non-major governmental funds.

	Fund Balances 12/31/06	Fund Balances 12/31/05	Increase (Decrease)
Major funds:			
General	\$ 604,470	\$ 428,047	\$ 176,423
Street	102,367	120,933	(18,566)
Police	(14,796)	(25,816)	11,020
Fire	7,115	48,562	(41,447)
Capital improvement	1,424,730	1,054,611	370,119
Other nonmajor governmental funds	25,198	23,949	1,249
Total	<u>\$ 2,149,084</u>	<u>\$ 1,650,286</u>	<u>\$ 498,798</u>

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

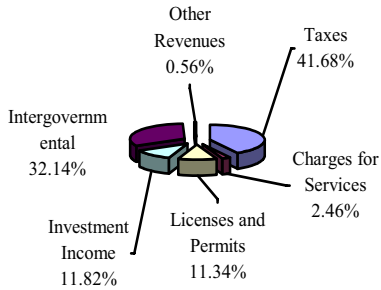
General Fund

The City's general fund balance increased \$428,047. The table that follows assists in illustrating the revenues of the general fund.

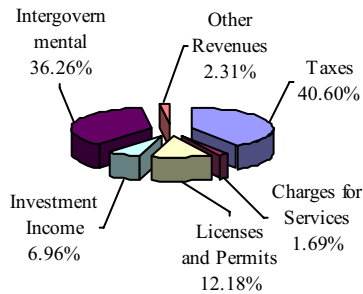
	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 523,070	\$ 469,571	11.39 %
Charges for services	30,832	19,552	57.69 %
Licenses and permits	142,280	140,862	1.01 %
Investment income	148,344	80,459	84.37 %
Intergovernmental	403,286	419,332	(3.83) %
Other	<u>7,064</u>	<u>26,744</u>	(73.59) %
Total	<u>\$ 1,254,876</u>	<u>\$ 1,156,520</u>	8.50 %

During 2006 the City increased total revenues by 8.50%. The 84.37% increase in investment income was primarily due to the City's higher cash balance in which they invested during 2006, and also due to increased interest rates during 2006. The 57.69% increase in charges for services was due to the increase in lease income during 2006. The largest decrease, in other revenues, was due primarily to the decrease in miscellaneous reimbursements during 2006.

Revenues – Fiscal Year 2006



Revenues – Fiscal Year 2005



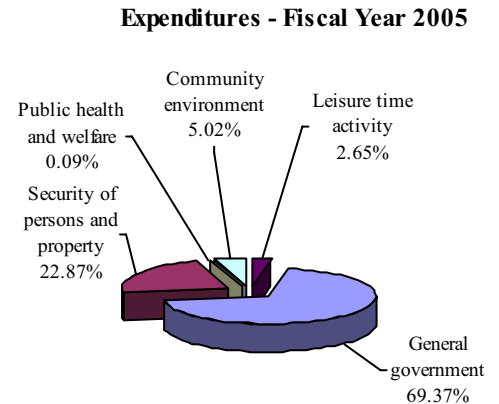
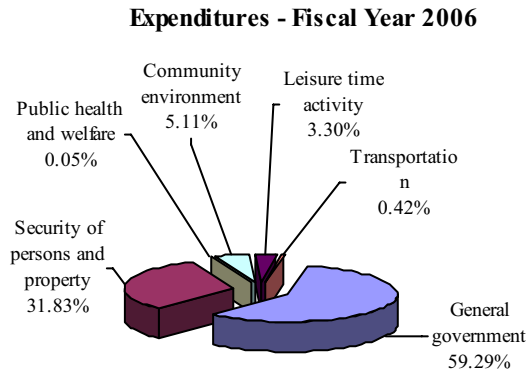
The table that follows assists in illustrating the expenditures of the general fund.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

	2006 <u>Amount</u>	2005 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 342,873	\$ 395,055	(13.21)
Security of persons and property	184,079	130,192	41.39
Public health and welfare	284	491	(42.16)
Community environment	29,524	28,576	3.32
Transportation	2,424	-	100.00
Leisure time activity	<u>19,096</u>	<u>15,076</u>	26.66
Total	<u>\$ 578,280</u>	<u>\$ 569,390</u>	1.56

During 2006 the City increased total expenditures by 1.56%. The second largest expenditure, security of persons and property, increased 41.39%, which is primarily attributed to covering the excess expenditures of the Police fund. The 26.66% increase in leisure time activity expenditures were primarily due to improvements on the museum. The 42.16% decrease in public health and welfare expenditures were primarily due to the decrease in mosquito control fees during 2006.



Street Fund

The street fund had revenues of \$289,591 in 2006. The expenditures of the street fund, totaled \$308,157 in 2006. The net decrease in fund balance for the street fund was \$18,566 or 15.35%.

Police Fund

The police fund had revenues of \$1,191,186 in 2006. The expenditures of the police fund, totaled \$1,180,166 in 2006. The net increase in fund balance for the police fund was \$11,020 or 42.69%.

Fire Fund

The fire fund had revenues of \$669,540 in 2006. The expenditures of the fire fund, totaled \$710,987 in 2006. The net decrease in fund balance for the fire fund was \$41,447 or 85.35%.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Capital Improvement Fund

The capital improvement fund had other financing sources of \$500,000 in 2006. The expenditures of the capital improvement fund, totaled \$129,881 in 2006. The net increase in fund balance for the capital improvement fund was \$370,119 or 35.10%.

Proprietary Funds

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

Budgeting Highlights

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

Budgetary information is presented for the general fund, street fund, police fund and fire fund. In the general fund, the actual revenues and other financing sources came in \$34,314 higher than they were in the final budget and actual expenditures and other financing uses were \$281,817 less than the amount in the final budget. Budgeted expenditures were increased \$70,000 from the original to the final budget. Budgeted revenues were increased \$134,032 from the original to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the City had \$14,943,280 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$4,423,154 was reported in governmental activities and \$10,520,126 was reported in business-type activities. See Note 8 for further description of capital assets. The following table shows fiscal 2006 balances compared to 2005:

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

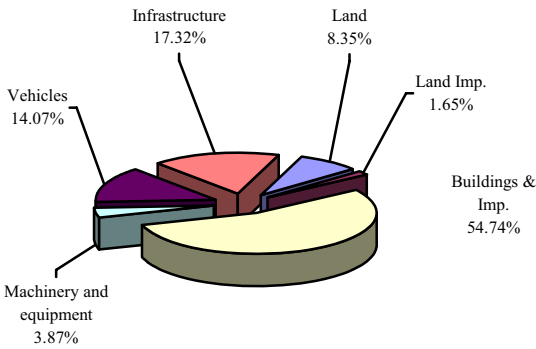
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 369,451	\$ 369,451	\$ 585,715	\$ 381,489	\$ 955,166	\$ 750,940
Construction in progress	-	-	151,890	68,267	151,890	68,267
Land improvements	73,171	76,095	10,935	12,433	84,106	88,528
Buildings and improvements	2,420,979	2,467,824	1,627,476	1,361,526	4,048,455	3,829,350
Machinery and equipment	171,061	192,111	346,866	208,346	517,927	400,457
Vehicles	622,460	700,612	28,470	33,409	650,930	734,021
Infrastructure	766,032	226,020	-	-	766,032	226,020
Utility structures in service	-	-	7,719,476	7,678,339	7,719,476	7,678,339
Totals	<u>\$ 4,423,154</u>	<u>\$ 4,032,113</u>	<u>\$ 10,470,828</u>	<u>\$ 9,743,809</u>	<u>\$ 14,893,982</u>	<u>\$ 13,775,922</u>

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

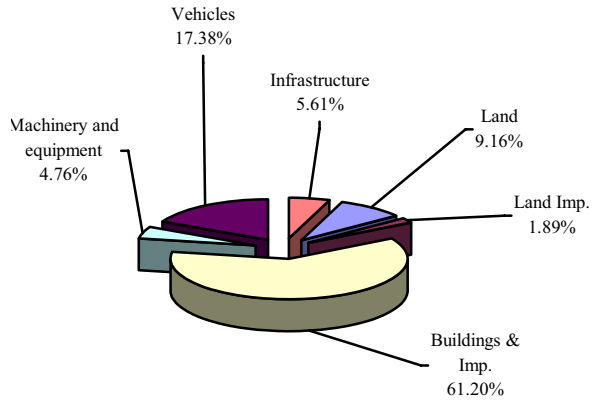
CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

**Capital Assets - Governmental Activities
2006**



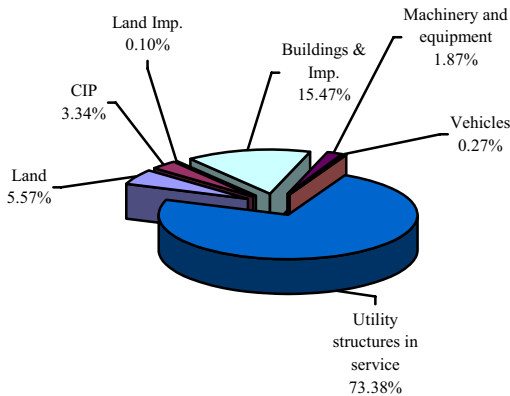
**Capital Assets - Governmental Activities
2005**



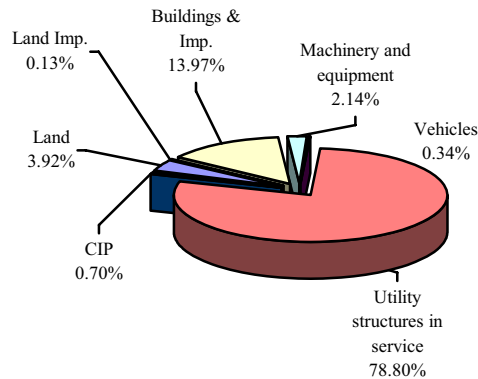
This is the City's third year of reporting infrastructure. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 17.32% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.

**Capital Assets - Business-Type Activities
2006**



Capital Assets - Business-Type Activities 2005



The City's largest business-type capital asset category is utility structures in service which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility structures in service (cost less accumulated depreciation) represents approximately 73.38% of the City's total business-type capital assets.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Compensated absences	\$ 205,948	\$ 187,760
Total long-term obligations	<u>\$ 205,948</u>	<u>\$ 187,760</u>
	Business-type Activities	
	<u>2006</u>	<u>2005</u>
Revenue bonds	\$ 940,000	\$ 981,000
OPWC loans	237,500	262,500
Compensated absences	<u>27,301</u>	<u>46,293</u>
Total long-term obligations	<u>\$1,204,801</u>	<u>\$1,289,793</u>

Further detail on the City's long-term obligations can be found in Note 10 to the financial statements.

Economic Conditions and Outlook

The City of Bellbrook is among the approximately 5 cities in Ohio (out of a total of over 250 cities) that do not levy a local income tax. This means that the gain or loss of jobs in the local economy has little impact upon revenues in the General Fund. Bellbrook is a suburban bedroom community with virtually no manufacturing businesses and a limited number of service and retail operations.

The largest source of revenue is therefore property taxes, primarily generated from single-family housing. Residential development boomed in the 1980's and 1990's but has moderated recently as land available for residential building becomes more limited in Bellbrook.

In 2006, there were 4 active housing developments underway including our first upscale condominium project containing 44 units, which are now selling for over \$200,000 apiece. The single-family houses are all selling for at least \$350,000 and some around \$750,000. Two additional developments received preliminary approval with a total of 133 lots planned for houses with a minimum value of \$500,000.

Police and Fire Department operations are funded by their own property tax levies with major capital costs paid from the Capital Improvement Fund. Service Department costs are funded by the Water and Street Funds with some capital construction costs such as street reconstruction paid from the Capital Improvement Fund.

The City's cash balances in the General Fund and the Capital Improvement Fund (which is funded wholly by transfers from the General Fund) have steadily increased since 2001: \$524,374 (2001); \$598,965 (2002); \$730,908 (2003); \$1,108,718 (2004); \$1,466,583.76 (2005); \$2,023,521.15 (2006). This has resulted from careful planning as we prepare for continuing reductions in State funding and additional investment in our infrastructure, especially neighborhood streets.

CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Mr. David Hamilton, Finance Director, 15 East Franklin Street, Bellbrook, Ohio 45305.

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CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,147,510	\$ 479,386	\$ 2,626,896
Cash and cash equivalents with fiscal agents	13,605	-	13,605
Receivables (net of allowances for uncollectibles):			
Real and other taxes	2,199,178	-	2,199,178
Accounts	56,368	392,783	449,151
Due from other governments	421,272	-	421,272
Prepayments	20,223	26,838	47,061
Materials and supplies inventory.	22,150	59,270	81,420
Capital assets:			
Land	369,451	585,715	955,166
Construction in progress.	-	151,890	151,890
Depreciable capital assets, net	4,053,703	9,733,223	13,786,926
Total capital assets, net	<u>4,423,154</u>	<u>10,470,828</u>	<u>14,893,982</u>
 Total assets.	 <u>9,303,460</u>	 <u>11,429,105</u>	 <u>20,732,565</u>
Liabilities:			
Accounts payable.	15,781	5,609	21,390
Accrued wages and benefits	74,114	13,899	88,013
Due to other governments	112,624	19,774	132,398
Unearned revenue.	2,117,541	-	2,117,541
Accrued interest payable.	-	31,333	31,333
Long-term liabilities:			
Due within one year	98,254	78,783	177,037
Due in more than one year	107,694	1,126,018	1,233,712
 Total liabilities	 <u>2,526,008</u>	 <u>1,275,416</u>	 <u>3,801,424</u>
Net assets:			
Invested in capital assets, net of related debt	4,423,154	9,293,328	13,716,482
Restricted for:			
Capital improvement	1,424,730	-	1,424,730
Street	173,298	-	173,298
Fire	36,820	-	36,820
Other purposes.	35,577	-	35,577
Unrestricted	683,873	860,361	1,544,234
 Total net assets.	 <u>\$ 6,777,452</u>	 <u>\$ 10,153,689</u>	 <u>\$ 16,931,141</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 383,891	\$ 61,479	\$ 13,571	\$ -
Security of persons and property.	2,244,644	117,813	48,199	-
Public health and welfare	284	-	-	-
Transportation	345,016	31,729	326,752	375,298
Community environment.	32,053	9,940	-	-
Leisure time activity.	19,096	-	-	-
Total governmental activities	<u>3,024,984</u>	<u>220,961</u>	<u>388,522</u>	<u>375,298</u>
Business-type Activities:				
Water	1,451,028	1,394,534	-	207,238
Waste collection	334,509	335,734	-	-
Total business-type activities	<u>1,785,537</u>	<u>1,730,268</u>	<u>-</u>	<u>207,238</u>
Total primary government.	<u>\$ 4,810,521</u>	<u>\$ 1,951,229</u>	<u>\$ 388,522</u>	<u>\$ 582,536</u>

General Revenues:

Property taxes levied for:	
General purposes.	
Fire and rescue.	
Police	
Police pension	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues.	
Change in net assets.	
Net assets at beginning of year	
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
\$ (308,841)	\$ -	\$ (308,841)
(2,078,632)	-	(2,078,632)
(284)	-	(284)
388,763	-	388,763
(22,113)	-	(22,113)
(19,096)	-	(19,096)
<u>(2,040,203)</u>	<u>-</u>	<u>(2,040,203)</u>
-	150,744	150,744
-	1,225	1,225
-	151,969	151,969
<u>(2,040,203)</u>	<u>151,969</u>	<u>(1,888,234)</u>
527,773	-	527,773
440,128	-	440,128
1,042,489	-	1,042,489
41,864	-	41,864
581,822	209,309	791,131
148,397	-	148,397
118,247	7,306	125,553
2,900,720	216,615	3,117,335
860,517	368,584	1,229,101
<u>5,916,935</u>	<u>9,785,105</u>	<u>15,702,040</u>
<u>\$ 6,777,452</u>	<u>\$ 10,153,689</u>	<u>\$ 16,931,141</u>

CITY OF BELLBROOK, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Street</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 598,789	\$ 42,021	\$ 31,013
Receivables (net of allowance for uncollectibles):			
Property and other taxes	521,123	-	1,199,388
Accounts	31,440	-	-
Due from other governments	167,941	128,125	78,432
Prepayments.	3,539	1,127	12,642
Materials and supplies inventory	-	16,595	4,444
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	13,605	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,322,832</u>	<u>\$ 201,473</u>	<u>\$ 1,325,919</u>
Liabilities:			
Accounts payable	\$ 6,216	\$ 1,830	\$ 1,012
Accrued wages and benefits.	10,824	5,131	41,031
Due to other governments.	73,583	5,051	20,852
Deferred revenue	627,739	87,094	1,277,820
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>718,362</u>	<u>99,106</u>	<u>1,340,715</u>
Fund Balances:			
Reserved for encumbrances.	78,849	-	-
Reserved for prepayments	3,539	1,127	12,642
Reserved for materials and supplies inventory	-	16,595	4,444
Reserved for restricted assets.	-	13,605	-
Unreserved, undesignated (deficit), reported in:			
General fund.	522,082	-	-
Special revenue funds.	-	71,040	(31,882)
Capital projects funds.	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit).	<u>604,470</u>	<u>102,367</u>	<u>(14,796)</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances.	<u>\$ 1,322,832</u>	<u>\$ 201,473</u>	<u>\$ 1,325,919</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 31,549	\$ 1,424,730	\$ 19,408	\$ 2,147,510
441,399	-	37,268	2,199,178
24,928	-	-	56,368
31,933	-	14,841	421,272
2,915	-	-	20,223
1,111	-	-	22,150
-	-	-	13,605
<u>\$ 533,835</u>	<u>\$ 1,424,730</u>	<u>\$ 71,517</u>	<u>\$ 4,880,306</u>
\$ 6,715	\$ -	\$ 8	\$ 15,781
17,128	-	-	74,114
12,954	-	184	112,624
489,923	-	46,127	2,528,703
<u>526,720</u>	<u>-</u>	<u>46,319</u>	<u>2,731,222</u>
7	16,469	4,280	99,605
2,915	-	-	20,223
1,111	-	-	22,150
-	-	-	13,605
-	-	-	522,082
3,082	-	20,918	63,158
-	1,408,261	-	1,408,261
<u>7,115</u>	<u>1,424,730</u>	<u>25,198</u>	<u>2,149,084</u>
<u>\$ 533,835</u>	<u>\$ 1,424,730</u>	<u>\$ 71,517</u>	<u>\$ 4,880,306</u>

CITY OF BELLBROOK, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balances		\$	2,149,084
<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.			4,423,154
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	81,637	
Charges for services		16,591	
Intergovernmental revenues		<u>312,934</u>	
Total			411,162
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.			<u>(205,948)</u>
Net assets of governmental activities		\$	<u><u>6,777,452</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Street</u>	<u>Police</u>
Revenues:			
Property and other taxes	\$ 523,070	\$ -	\$ 1,042,627
Charges for services	30,832	-	-
Licenses and permits	142,280	-	-
Intergovernmental	403,286	285,326	145,903
Investment income	148,344	-	-
Other	7,064	4,265	2,656
Total revenues	<u>1,254,876</u>	<u>289,591</u>	<u>1,191,186</u>
Expenditures:			
Current:			
General government	342,873	-	-
Security of persons and property	184,079	-	1,180,166
Public health and welfare	284	-	-
Transportation	2,424	308,157	-
Community environment	29,524	-	-
Leisure time activity	19,096	-	-
Capital outlay	-	-	-
Total expenditures	<u>578,280</u>	<u>308,157</u>	<u>1,180,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>676,596</u>	<u>(18,566)</u>	<u>11,020</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	<u>(500,173)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(500,173)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	176,423	(18,566)	11,020
Fund balances (deficit)			
at beginning of year	<u>428,047</u>	<u>120,933</u>	<u>(25,816)</u>
Fund balances (deficit) at end of year	<u>\$ 604,470</u>	<u>\$ 102,367</u>	<u>\$ (14,796)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 435,816	\$ -	\$ 41,481	\$ 2,042,994
124,116	-	593	155,541
-	-	31,729	174,009
103,558	-	42,081	980,154
-	-	53	148,397
6,050	-	207	20,242
<u>669,540</u>	<u>-</u>	<u>116,144</u>	<u>3,521,337</u>
-	-	1,686	344,559
710,987	-	46,748	2,121,980
-	-	-	284
-	-	66,634	377,215
-	-	-	29,524
-	-	-	19,096
-	129,881	-	129,881
<u>710,987</u>	<u>129,881</u>	<u>115,068</u>	<u>3,022,539</u>
<u>(41,447)</u>	<u>(129,881)</u>	<u>1,076</u>	<u>498,798</u>
-	500,000	173	500,173
-	-	-	(500,173)
-	<u>500,000</u>	<u>173</u>	<u>-</u>
(41,447)	370,119	1,249	498,798
48,562	1,054,611	23,949	1,650,286
<u>\$ 7,115</u>	<u>\$ 1,424,730</u>	<u>\$ 25,198</u>	<u>\$ 2,149,084</u>

CITY OF BELLBROOK, OHIO

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, 2006

Net change in fund balances - total governmental funds \$ 498,798

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	613,249	
Current year depreciation		<u>(222,208)</u>	
 Total			 391,041

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

Property taxes		9,260	
Charges for services		(10,584)	
Intergovernmental revenue		<u>(9,810)</u>	
 Total			 (11,134)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(18,188)

Change in net assets of governmental activities \$ 860,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 459,751	\$ 516,483	\$ 523,070	\$ 6,587
Charges for services	14,421	16,200	28,357	12,157
Licenses and permits.	137,974	155,000	139,924	(15,076)
Intergovernmental	358,325	402,541	407,514	4,973
Investment income	106,819	120,000	148,344	28,344
Other	8,902	10,000	5,009	(4,991)
Total revenues.	<u>1,086,192</u>	<u>1,220,224</u>	<u>1,252,218</u>	<u>31,994</u>
Expenditures:				
Current:				
General government	496,212	496,212	375,617	120,595
Security of persons and property	287,416	287,416	228,079	59,337
Public health and welfare.	5,000	5,000	284	4,716
Transportation	5,000	75,000	2,424	72,576
Community environment	40,000	40,000	29,438	10,562
Leisure time activity	34,974	34,974	21,770	13,204
Total expenditures	<u>868,602</u>	<u>938,602</u>	<u>657,612</u>	<u>280,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>217,590</u>	<u>281,622</u>	<u>594,606</u>	<u>312,984</u>
Other financing sources (uses):				
Sale of capital assets	-	-	2,320	2,320
Transfers out	<u>(501,000)</u>	<u>(501,000)</u>	<u>(500,173)</u>	<u>827</u>
Total other financing sources (uses)	<u>(501,000)</u>	<u>(501,000)</u>	<u>(497,853)</u>	<u>3,147</u>
Net change in fund balance	(283,410)	(219,378)	96,753	316,131
Fund balance at beginning of year	339,669	339,669	339,669	-
Prior year encumbrances appropriated	<u>72,302</u>	<u>72,302</u>	<u>72,302</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 128,561</u>	<u>\$ 192,593</u>	<u>\$ 508,724</u>	<u>\$ 316,131</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 310,000	\$ 295,000	\$ 292,260	\$ (2,740)
Other	-	-	4,265	4,265
Total revenues.	<u>310,000</u>	<u>295,000</u>	<u>296,525</u>	<u>1,525</u>
Expenditures:				
Current:				
Transportation	345,858	325,858	299,683	26,175
Total expenditures	<u>345,858</u>	<u>325,858</u>	<u>299,683</u>	<u>26,175</u>
Net change in fund balance	(35,858)	(30,858)	(3,158)	27,700
Fund balance at beginning of year	38,034	38,034	38,034	-
Prior year encumbrances appropriated	<u>2,858</u>	<u>2,858</u>	<u>2,858</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 5,034</u>	<u>\$ 10,034</u>	<u>\$ 37,734</u>	<u>\$ 27,700</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 1,034,134	\$ 1,030,484	\$ 1,042,627	\$ 12,143
Intergovernmental	153,841	153,298	145,903	(7,395)
Other	<u>7,025</u>	<u>7,000</u>	<u>2,656</u>	<u>(4,344)</u>
Total revenues.	<u>1,195,000</u>	<u>1,190,782</u>	<u>1,191,186</u>	<u>404</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,160,569</u>	<u>1,190,569</u>	<u>1,171,020</u>	<u>19,549</u>
Total expenditures	<u>1,160,569</u>	<u>1,190,569</u>	<u>1,171,020</u>	<u>19,549</u>
Net change in fund balance	34,431	213	20,166	19,953
Fund balance at beginning of year	6,420	6,420	6,420	-
Prior year encumbrances appropriated	<u>1,469</u>	<u>1,469</u>	<u>1,469</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 42,320</u>	<u>\$ 8,102</u>	<u>\$ 28,055</u>	<u>\$ 19,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 419,912	\$ 430,980	\$ 435,816	\$ 4,836
Charges for services	136,404	140,000	127,496	(12,504)
Intergovernmental	121,069	124,260	142,825	18,565
Other	14,615	15,000	6,620	(8,380)
Total revenues.	<u>692,000</u>	<u>710,240</u>	<u>712,757</u>	<u>2,517</u>
Expenditures:				
Current:				
Security of persons and property	<u>704,569</u>	<u>729,569</u>	<u>719,325</u>	<u>10,244</u>
Total expenditures	<u>704,569</u>	<u>729,569</u>	<u>719,325</u>	<u>10,244</u>
Net change in fund balance	(12,569)	(19,329)	(6,568)	12,761
Fund balance at beginning of year	13,326	13,326	13,326	-
Prior year encumbrances appropriated	<u>18,069</u>	<u>18,069</u>	<u>18,069</u>	-
Fund balance at end of year.	<u>\$ 18,826</u>	<u>\$ 12,066</u>	<u>\$ 24,827</u>	<u>\$ 12,761</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2006

	Business-type Activities -Enterprise Funds		
	Water	Waste Collection	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 458,374	\$ 21,012	\$ 479,386
Receivables (net of allowance for uncollectibles):			
Accounts	379,812	12,971	392,783
Prepayments	26,838	-	26,838
Materials and supplies inventory	59,270	-	59,270
Total current assets	<u>924,294</u>	<u>33,983</u>	<u>958,277</u>
Noncurrent assets:			
Capital assets:			
Land	585,715	-	585,715
Construction in progress	151,890	-	151,890
Depreciable capital assets, net	9,625,712	107,511	9,733,223
Total capital assets	<u>10,363,317</u>	<u>107,511</u>	<u>10,470,828</u>
Total assets	<u>11,287,611</u>	<u>141,494</u>	<u>11,429,105</u>
Liabilities:			
Current liabilities:			
Accounts payable	5,609	-	5,609
Accrued wages and benefits	13,899	-	13,899
Compensated absences	9,783	-	9,783
Due to other governments	19,518	256	19,774
Current portion of OPWC loans	25,000	-	25,000
Current portion of revenue bonds	44,000	-	44,000
Accrued interest payable	31,333	-	31,333
Total current liabilities	<u>149,142</u>	<u>256</u>	<u>149,398</u>
Long-term liabilities:			
Revenue bonds	896,000	-	896,000
OPWC loans	212,500	-	212,500
Compensated absences	17,518	-	17,518
Total long-term liabilities	<u>1,126,018</u>	<u>-</u>	<u>1,126,018</u>
Total liabilities	<u>1,275,160</u>	<u>256</u>	<u>1,275,416</u>
Net assets:			
Invested in capital assets, net of related debt	9,185,817	107,511	9,293,328
Unrestricted	826,634	33,727	860,361
Total net assets	<u>\$ 10,012,451</u>	<u>\$ 141,238</u>	<u>10,153,689</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Operating revenues:			
Charges for services	\$ 1,394,534	\$ 335,734	\$ 1,730,268
Other	6,712	594	7,306
Total operating revenues	1,401,246	336,328	1,737,574
Operating expenses:			
Personal services	769,636	22,411	792,047
Contract services	331,283	299,977	631,260
Materials and supplies	78,621	1,327	79,948
Depreciation	220,560	11,248	231,808
Other	2,230	561	2,791
Total operating expenses.	1,402,330	335,524	1,737,854
Operating income (loss)	(1,084)	804	(280)
Nonoperating revenues (expenses):			
Intergovernmental revenues	209,309	-	209,309
Interest expense and fiscal charges	(47,683)	-	(47,683)
Total nonoperating revenues (expenses)	161,626	-	161,626
Income (loss) before contributions	160,542	804	161,346
Capital contributions	207,238	-	207,238
Changes in net assets	367,780	804	368,584
Net assets at beginning of year	9,644,671	140,434	9,785,105
Net assets at end of year.	\$ 10,012,451	\$ 141,238	\$ 10,153,689

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,391,545	\$ 329,761	\$ 1,721,306
Cash received from other operations	6,712	594	7,306
Cash payments for personal services	(784,399)	(22,155)	(806,554)
Cash payments for contract services	(336,488)	(299,977)	(636,465)
Cash payments for materials and supplies	(90,041)	(1,327)	(91,368)
Cash payments for other expenses	(2,230)	(561)	(2,791)
 Net cash provided by operating activities.	 185,099	 6,335	 191,434
Cash flows from noncapital financing activities:			
Cash received from grants.	209,309	-	209,309
 Net cash provided by (used in) noncapital financing activities	 209,309	 -	 209,309
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(751,589)	-	(751,589)
Principal retirement on revenue bonds	(41,000)	-	(41,000)
Principal retirement on OPWC loans.	(25,000)	-	(25,000)
Interest and fiscal charges.	(49,050)	-	(49,050)
 Net cash used in capital and related financing activities	 (866,639)	 -	 (866,639)
 Net increase (decrease) in cash and cash equivalents.	 (472,231)	 6,335	 (465,896)
 Cash and cash equivalents at beginning of year . . .	 930,605	 14,677	 945,282
Cash and cash equivalents at end of year.	\$ 458,374	\$ 21,012	\$ 479,386

-- continued

CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Collection</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,084)	\$ 804	\$ (280)
Adjustments:			
Depreciation	220,560	11,248	231,808
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	239	-	239
(Increase) decrease in accounts receivable.	(2,989)	(5,973)	(8,962)
Increase in prepayments.	(3,331)	-	(3,331)
Decrease in accounts payable	(12,983)	-	(12,983)
Decrease in accrued wages and benefits.	(791)	-	(791)
Increase in due to other governments	4,470	256	4,726
Decrease in compensated absences payable	(18,992)	-	(18,992)
Net cash provided by operating activities	<u>\$ 185,099</u>	<u>\$ 6,335</u>	<u>\$ 191,434</u>

The Water fund received \$207,238 in capital contributions from developers.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2006

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 16,964
Receivables:	
Accounts.	<u>4,996</u>
Total assets.	<u>\$ 21,960</u>
Liabilities:	
Accounts payable.	\$ 1,150
Due to others	<u>20,810</u>
Total liabilities	<u>\$ 21,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE CITY

The City of Bellbrook (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 is a charter municipal corporation which incorporated on January 13, 1971, and a charter was adopted on November 2, 1971.

The City operates under a council-mayor form of government and provides the following services: police protection, water and sewer utility services, street maintenance and repair, as well as other services. Legislative power is vested in a seven-member council with separately elected Mayor serving a two-year term and six council members elected to four-year terms. The Council appoints the City Manager and Clerk of Council. The City Manager is Chief Executive Officer and the head of the administrative agencies of the City who appoints all department heads and employees.

Management believes the financial statements included in this report represent all of the funds of the City over which the City officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based on the foregoing criteria, the City has no component units.

The primary government consists of all funds and departments which provide various services including police protection, street maintenance and repair, parks, recreation, water, and refuse services. Council and the City Manager are directly responsible for these activities.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The City's (BFS) consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

C. Fund Accounting

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

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Street Fund - The street fund accounts for all transactions relating to street maintenance and construction.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Police Fund - The police fund accounts for all transactions relating to the police department.

Fire Fund - The fire fund accounts for all transactions relating to the fire department.

Capital Improvement Fund - The capital improvement fund accounts for improvement projects.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Waste Collection Fund - This fund accounts for the provision of waste collection service to the residents and commercial users located within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund used to account for performance bonds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs, claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, and fees.

Unearned/Deferred Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as unearned revenue on the statement of net assets and deferred revenue on the governmental fund statements.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, legally are required to be budgeted and appropriated.

TAX BUDGET

During the first Council meeting in July, the City Finance Director presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

ESTIMATED RESOURCES

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The amounts reported on the budgetary statements reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

APPROPRIATIONS

Appropriation budgets are legally required for each fund at the object level within each department. This is known as the legal level of budgetary control. Appropriation modifications outside the legal level of budgetary control must be approved by City Council. A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2006.

G. Cash and Cash Equivalents

To improve cash management, cash received by the City except cash held by a fiscal agent, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2006, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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, 2006.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2006, interest revenue earned and credited to the general fund during 2006 amounted to \$148,397, including \$119,321 assigned from other funds of the City. Other governmental funds earned \$53 during fiscal year 2006.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. The City uses the consumption method.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2006, the City's capitalization threshold was \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land Improvements	10 - 15 years	10 - 15 years
Buildings	50 years	50 years
Equipment	5 - 20 years	5 - 20 years
Vehicles	5 - 20 years	5 - 20 years
Infrastructure	20 - 50 years	20 - 50 years
Utility Structures in Service	n/a	50 - 75 years

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS. No such transactions occurred during fiscal year 2006.

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, materials and supplies inventory and restricted assets in the governmental fund financial statements.

O. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and waste collection programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the City has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

B. Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 2006:

<u>Major Governmental Fund</u>	<u>Deficit Fund Balance</u>
Police Fund	\$ 14,796

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the Police special revenue fund is a result of the application of GAAP, namely in the recognition of a liability for interfund loans attributable to the current year. This deficit will be eliminated by intergovernmental revenues not recognized at December 31.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim moneys 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agent

At year-end, the City had \$13,605 on deposit with the Greene County Treasurer for permissive funds collected but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from the Greene Country Comprehensive Annual Financial Report for the year ended December 31, 2006. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$(66,358), exclusive of the \$77,636 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, the entire bank balance of \$1,841 was covered by Federal Deposit Insurance Corporation.

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 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 bank 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.

C. Investments

As of December 31, 2006, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 2,632,582	\$ 2,632,582
Repurchase agreement	<u>77,636</u>	<u>77,636</u>
	<u>\$ 2,710,218</u>	<u>\$ 2,710,218</u>

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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

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 of each investment type held by the City at December 31, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,632,582	97.14%
Repurchase agreement	<u>77,636</u>	<u>2.86%</u>
	<u>\$ 2,710,218</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (66,358)
Investments	2,710,218
Cash with fiscal agent	<u>13,605</u>
Total	<u>\$ 2,657,465</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,161,115
Business type activities	479,386
Agency fund	<u>16,964</u>
Total	<u>\$ 2,657,465</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>			<u>Total</u>
	<u>General</u>	<u>Water</u>	<u>Waste Collections</u>	
Capital Improvements	\$ 500,000	\$ -	\$ -	\$ 500,000
Water	-	-	2,275	2,275
Waste Collections	-	1,260	-	1,260
Nonmajor Special Revenue	<u>173</u>	<u>-</u>	<u>-</u>	<u>173</u>
Total	<u>500,173</u>	<u>1,260</u>	<u>2,275</u>	<u>503,708</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - INTERFUND TRANSFERS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental activities and business-type activities are reported as transfers on the statement of net assets.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied on January 1 in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years with a triennial update. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 12; if paid semi-annually, the first payment is due February 12, with the remainder payable June 20. In certain instances, state statute permits earlier or later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is currently assessed at 100% of its true value and real property is assessed at 35% of its true (market) value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2006 was \$17.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real property tax	\$ 153,601,670
Public utility tangible personal property	3,106,680
Tangible personal property	<u>1,266,807</u>
Total assessed valuation	<u>\$ 157,975,157</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2006, as well as intended to finance fiscal 2006 operations.

A summary of the receivables reported on the statement of net assets follows:

Governmental Activities:

Real and other taxes	\$ 2,199,178
Accounts	56,368
Due from other governments	421,272

Business-type Activities:

Accounts	392,783
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Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2006, was as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/05</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 369,451	\$ -	\$ -	\$ 369,451
Total capital assets, not being depreciated	<u>369,451</u>	<u>-</u>	<u>-</u>	<u>369,451</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	269,205	8,700	-	277,905
Buildings and improvements	3,046,352	14,449	-	3,060,801
Equipment	504,284	7,852	-	512,136
Vehicles	1,621,912	20,400	(9,805)	1,632,507
Infrastructure	<u>236,500</u>	<u>561,848</u>	<u>-</u>	<u>798,348</u>
Total capital assets, being depreciated	<u>5,678,253</u>	<u>613,249</u>	<u>(9,805)</u>	<u>6,281,697</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(193,110)	(11,624)	-	(204,734)
Buildings and improvements	(578,528)	(61,294)	-	(639,822)
Equipment	(312,173)	(28,902)	-	(341,075)
Vehicles	(921,300)	(98,552)	9,805	(1,010,047)
Infrastructure	<u>(10,480)</u>	<u>(21,836)</u>	<u>-</u>	<u>(32,316)</u>
Total accumulated depreciation	<u>(2,015,591)</u>	<u>(222,208)</u>	<u>9,805</u>	<u>(2,227,994)</u>
Total capital assets, being depreciated, net	<u>3,662,662</u>	<u>391,041</u>	<u>-</u>	<u>4,053,703</u>
Governmental activities capital assets, net	<u>\$ 4,032,113</u>	<u>\$ 391,041</u>	<u>\$ -</u>	<u>\$ 4,423,154</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 58,579
Security of persons and property	116,755
Transportation	<u>46,874</u>
Total depreciation expense - governmental activities	<u>\$222,208</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2006 was as follows:

<u>Business-type Activities:</u>	Balance <u>12/31/05</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 381,489	\$ 204,226	\$ -	\$ 585,715
Construction in progress	<u>68,267</u>	<u>83,623</u>	<u>-</u>	<u>151,890</u>
Total capital assets, not being depreciated	<u>449,756</u>	<u>287,849</u>	<u>-</u>	<u>737,605</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	29,958	-	-	29,958
Buildings and improvements	2,031,706	463,740	-	2,495,446
Utility structures in service	12,370,520	207,238	-	12,577,758
Machinery and equipment	258,529	-	-	258,529
Vehicles	<u>96,378</u>	<u>-</u>	<u>-</u>	<u>96,378</u>
Total capital assets, being depreciated	<u>14,787,091</u>	<u>670,978</u>	<u>-</u>	<u>15,458,069</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(17,525)	(1,498)	-	(19,023)
Buildings and improvements	(670,180)	(47,861)	-	(718,041)
Utility structures in service	(4,692,181)	(166,101)	-	(4,858,282)
Machinery and equipment	(50,183)	(11,409)	-	(61,592)
Vehicles	<u>(62,969)</u>	<u>(4,939)</u>	<u>-</u>	<u>(67,908)</u>
Total accumulated depreciation	<u>(5,493,038)</u>	<u>(231,808)</u>	<u>-</u>	<u>(5,724,846)</u>
Total capital assets, being depreciated, net	<u>9,294,053</u>	<u>439,170</u>	<u>-</u>	<u>9,733,223</u>
Business-type activities capital assets, net	<u>\$ 9,743,809</u>	<u>\$ 727,019</u>	<u>\$ -</u>	<u>\$ 10,470,828</u>

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

Business-Type activities:

Water	\$ 220,560
Waste Collection	<u>11,248</u>
Total depreciation expense - business-type activities	<u>\$ 231,808</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - OTHER EMPLOYEE BENEFITS

All full-time City employees earn sick leave at the rate of 4.6 hours per pay, up to a limit of 120 days. Upon qualifying to retire under the Public Employees Retirement System, an employee who has unused accumulated sick leave of 75 days or more is eligible to be paid for these days up to a maximum of 45 days. An employee resigning can be paid for up to 20 days of accumulated sick leave. Police and fire employees retiring under the Ohio Police and Fire Pension Fund may receive one day paid for every three days accumulated up a maximum of 40 days. The total obligations for sick leave accrual for the City as a whole as of December 31, 2006 was \$125,212.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$108,037 at December 31, 2006.

The City provides a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded in the Statement of Net Assets. During 2006, the amount decreased \$804 from a beginning year balance of \$234,053 to a year end balance of \$233,249.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2006, the following changes occurred in the governmental activities long-term obligations:

	Balance			Balance	Amounts
	12/31/05	Additions	Reductions	12/31/06	Due in
<u>Governmental Activities:</u>					<u>One Year</u>
Compensated absences	\$ 187,760	\$ 147,128	\$ (128,940)	\$ 205,948	\$ 98,254
Total long-term obligations, governmental activities	<u>\$ 187,760</u>	<u>\$ 147,128</u>	<u>\$ (128,940)</u>	<u>\$ 205,948</u>	<u>\$ 98,254</u>

Compensated absences: Compensated absences are reported in the Statement of Net Assets and will be paid from the fund from which the employee's salaries are paid which will primarily be the General, Street, Police and Fire funds.

B. During 2006, the following changes occurred in the business-type activities long-term obligations:

	Balance			Balance	Amounts
	12/31/05	Additions	Reductions	12/31/06	Due in
<u>Business-type Activities:</u>					<u>One Year</u>
<u>Revenue Bonds</u>					
1982 5.00% Waterworks system	\$ 981,000	-	\$ (41,000)	\$ 940,000	\$ 44,000
<u>Ohio Public Works Commission Loan</u>					
1995 0.00% Elevated Water Storage Tank	262,500	-	(25,000)	237,500	25,000
<u>Other long-term obligations</u>					
Compensated absences	<u>46,293</u>	<u>13,752</u>	<u>(32,744)</u>	<u>27,301</u>	<u>9,783</u>
Total long-term obligations, business type activities	<u>\$ 1,289,793</u>	<u>\$ 13,752</u>	<u>\$ (98,744)</u>	<u>\$ 1,204,801</u>	<u>\$ 78,783</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. A summary of the City’s future long-term debt funding requirements, including principal and interest payments as of December 31, 2006, follows:

Year Ending December 31,	Revenue Bonds			OPWC Loan		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 44,000	\$ 47,000	\$ 91,000	\$ 25,000	\$ -	\$ 25,000
2008	46,000	44,800	90,800	25,000	-	25,000
2009	48,000	42,500	90,500	25,000	-	25,000
2010	50,000	40,100	90,100	25,000	-	25,000
2011	53,000	37,600	90,600	25,000	-	25,000
2012 - 2016	307,000	145,550	452,550	112,500	-	112,500
2017 - 2021	392,000	60,800	452,800	-	-	-
	<u>\$ 940,000</u>	<u>\$ 418,350</u>	<u>\$ 1,358,350</u>	<u>\$ 237,500</u>	<u>\$ -</u>	<u>\$ 237,500</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2006, the City’s total debt margin was \$16,349,891 and the unvoted debt margin was \$8,451,134.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association (MVRMA), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a joint self-insurance pool for 20 member cities. The City pays an annual premium to MVRMA for property, crime, liability, boiler and machinery, and public official liability coverage. The agreement for formation of MVRMA provides that the organization will be self-sustaining through member premiums the purchase of excess insurance/reinsurance. During 2006, MVRMA’s pre-occurrence retention limit for property was \$200,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a per-occurrence retention limit of \$1,000,000. After the retention limits are reached, excess insurance/reinsurance will cover up to the limits stated below.

Type of Coverage	Coverage	Deductible
Property Insurance	\$350,000,000	\$2,500
Earthquake	25,000,000	2,500
Flood	20,000,000	2,500
General Liability	10,000,000	2,500
Employment Practices and Public Officials Liability	10,000,000	2,500
Automobile Liability	10,000,000	2,500
Boiler and Machinery	100,000,000	2,500

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 - RISK MANAGEMENT - (Continued)

The City belongs to the Ohio Municipal League Workers' Compensation Group Rating Program. Ohio Revised Code Section 4123.29 permits local government to group the experience of employers for workers' compensation rating purposes. For 2006, the City paid the Ohio Bureau of Workers' Compensation a premium rate of .013497 per \$1 of gross payroll for full-time employees and a premium rate of .115513 per \$1 of gross reimbursement for volunteers.

Full time employees are covered for private medical coverage. Payments are made to the carrier by the City on behalf of the employees at 100% of the premium. The current carrier for medical coverage is United Healthcare. The premium rate is age and gender sensitive and different for each employee depending on how many persons in their family are covered. Dental coverage is carried through Superior Dental Care. The premium rate is based on whether the employee is covered for family, employee plus one or single coverage. Life insurance is provided for the employee only. The current carrier for life insurance is Standard Life. The Life/AD&D insurance benefit is \$25,000. The monthly premium for 2006 was \$6.50 for January through September and \$6.25 for October through December per employee per month.

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's contributions to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$129,957, \$154,201, and \$150,399, respectively; 86.21% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$17,922, is recorded as a liability.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 12 - 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 11.75% for police officers and 16.25% for firefighters. The City's contributions to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$215,871, \$207,253, and \$191,001, respectively; 70.64% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$63,382, is recorded as a liability.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. 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, not to exceed a 12% corridor.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$42,687. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. 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 Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees have been 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 City's actual contributions for 2006 that were used to fund postemployment benefits were \$56,530 for police and \$23,778 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 (the latest information available), was 13,922 for police and 10,537 for firefighters.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	General	Street	Police	Fire
Budget basis	\$ 96,753	\$ (3,158)	\$ 20,166	\$ (6,568)
Net adjustment for revenue accruals	2,658	(6,934)	-	(43,217)
Net adjustment for expenditure accruals	(10,733)	(12,761)	(12,104)	1,616
Net adjustment for other sources/uses	(2,320)	-	-	-
Adjustment for encumbrances	90,065	4,287	2,958	6,722
GAAP basis	\$176,423	\$(18,566)	\$ 11,020	\$(41,447)

NOTE 15 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2006.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - CONTINGENCIES - (Continued)

B. Litigation

The City is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2006, the City had the following contractual commitments outstanding related to the water construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through December 31, 2006</u>	<u>Remaining Contract Amount</u>
Lockwood, Jones & Beals, Inc.	\$ 101,645	\$ (68,577)	\$ 33,068
Boone Water Systems, Inc.	<u>110,940</u>	<u>(52,240)</u>	<u>58,700</u>
Total	<u>\$ 212,585</u>	<u>\$ (120,817)</u>	<u>\$ 91,768</u>



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

City Council
City of Bellbrook
15 E. Franklin Street
Bellbrook, Ohio 45305

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 Bellbrook, Ohio (the City) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2007. 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 *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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, 2006-001, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

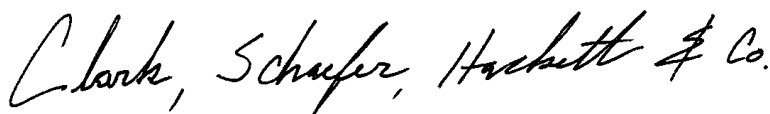
Compliance and Other Matters

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 effect 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 such 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*.

We noted certain additional matters that we reported to management of the City in a separate letter dated August 28, 2007.

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

This report is intended solely for the information and use of the City Council, City Manager and management, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio
August 28, 2007

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF BELLBROOK
DECEMBER 31, 2006 and 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding Number	2006-001
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Audit adjustments were necessary to correct the balances of property taxes receivable and capital assets for fiscal years ending December 31, 2006 and 2005.

Property taxes receivable were overstated on the governmental funds balance sheet in the amount of \$125,324 and \$132,664 for fiscal years 2005 and 2006 respectively.

The adjustment to capital assets affected the business-type activities only. In fiscal year 2005 a change was made to the acquisition date of an asset that was not correct. The change in the acquisition date caused accumulated depreciation and depreciation expense to be overstated by \$149,929. In fiscal year 2006 an asset was recorded as an addition to land and construction in progress causing capital assets to be overstated and expenses to be understated by \$199,227.

Management's Response

The City has implemented procedures to ensure property taxes receivable and capital assets are reported correctly.



Mary Taylor, CPA
Auditor of State

CITY OF BELLBROOK

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2007**