



Dave Yost • Auditor of State



**CITY OF BELLBROOK  
GREENE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Bellbrook  
Greene County  
15 East Franklin Street  
Bellbrook, Ohio 45305

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bellbrook, Greene County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bellbrook, Greene County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

Required Supplementary Information

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2013, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 16, 2013

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(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, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- The total net position of the City increased \$634,977 or 2.85%. Net position of governmental activities increased \$416,644 or 4.37% and net position of business-type activities increased \$218,333 or 1.71%.
- Unrestricted net position of the City increased \$317,979 or 11.87%. Unrestricted net position of governmental activities decreased \$109,862 or -8.12% and unrestricted net position of business-type activities increased \$427,841 or 32.27%.
- Total revenues decreased \$253,260 or -3.77%. Revenues of governmental activities decreased \$173,615 or -3.90% and revenues of business-type activities decreased \$79,645 or -3.51%.
- Total expenses decreased \$77,028 or -1.30%. Expenses of governmental activities decreased \$85,009 or -2.15% and expenses of business-type activities increased \$7,981 or 0.41%.
- As of December 31, 2012 the City's governmental funds report combined ending fund balances of \$3.13 million. Approximately 36% or \$1.14 million of this fund balance is available for spending at the City's discretion (unassigned fund balance).

**Using this Annual Financial Report**

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

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

**Reporting the City as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net position 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.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

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

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

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

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

The City's statement of net position and statement of activities can be found on pages 13-14 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.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

#### ***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.



**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major 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 15 - 18 of this report.

***Proprietary Funds***

The City maintains one type of proprietary fund. 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 collection functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 19 - 21 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 22 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 23 - 38 of this report.

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2012 compared to 2011.

	<b>Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>						
Current and other assets	\$6,473,247	\$6,551,772	\$ 1,979,065	\$ 1,586,932	\$ 8,452,312	\$ 8,138,704
Capital assets	6,498,393	5,950,741	13,014,831	13,361,910	19,513,224	19,312,651
Total assets	<u>12,971,640</u>	<u>12,502,513</u>	<u>14,993,896</u>	<u>14,948,842</u>	<u>27,965,536</u>	<u>27,451,355</u>
<b>Liabilities:</b>						
Long-term liabilities	196,383	194,248	1,886,867	1,993,249	2,083,250	2,187,497
Other liabilities	2,828,534	2,778,186	137,225	204,122	2,965,759	2,982,308
Total liabilities	<u>3,024,917</u>	<u>2,972,434</u>	<u>2,024,092</u>	<u>2,197,371</u>	<u>5,049,009</u>	<u>5,169,805</u>
<b>Net Position:</b>						
Net investment in capital assets	6,498,393	5,950,741	11,216,222	11,425,730	17,714,615	17,376,471
Restricted	2,205,513	2,226,659			2,205,513	2,226,659
Unrestricted	1,242,817	1,352,679	1,753,582	1,325,741	2,996,399	2,678,420
Total net position	<u>\$9,946,723</u>	<u>\$9,530,079</u>	<u>\$12,969,804</u>	<u>\$12,751,471</u>	<u>\$22,916,527</u>	<u>\$22,281,550</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets exceeded liabilities by \$22,916,527. At year-end, net position was \$9,946,723 and \$12,969,804 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, net investment in capital assets represented 77.3% of total net position. Capital assets include land, land improvements, buildings and improvements, vehicles, utility structures in service, machinery and equipment and infrastructure. Net investment in capital assets at December 31, 2012 were \$6,498,393 and \$11,216,222 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,205,513, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$1,242,817 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net position for fiscal year 2012 compared to 2011.

	<b>Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 147,808	\$ 167,837	\$2,188,042	\$2,106,887	\$2,335,850	\$2,274,724
Operating grants and contributions	436,035	427,275			436,035	427,275
Capital grants and contributions	352,499	462,366		160,800	352,499	623,166
<b>General revenues:</b>						
Property taxes	2,622,998	2,594,631			2,622,998	2,594,631
Estate taxes	67,656	20,737			67,656	20,737
Grants and other contributions not restricted to specific programs	618,590	710,125			618,590	710,125
Investment earnings	11,107	9,658			11,107	9,658
Miscellaneous	25,831	63,510			25,831	63,510
Total revenues	<u>4,282,524</u>	<u>4,456,139</u>	<u>2,188,042</u>	<u>2,267,687</u>	<u>6,470,566</u>	<u>6,723,826</u>
<b>Expenses</b>						
General government	446,338	490,103			446,338	490,103
Public safety	2,775,456	2,751,013			2,775,456	2,751,013
Community environment	76,435	88,307			76,435	88,307
Recreation	10,433	14,789			10,433	14,789
Transportation	557,218	606,677			557,218	606,677
Waste collection			478,701	482,520	478,701	482,520
Water			1,491,008	1,479,208	1,491,008	1,479,208
Total expenses	<u>3,865,880</u>	<u>3,950,889</u>	<u>1,969,709</u>	<u>1,961,728</u>	<u>5,835,589</u>	<u>5,912,617</u>
Change in net position	<u>\$ 416,644</u>	<u>\$ 505,250</u>	<u>\$ 218,333</u>	<u>\$ 305,959</u>	<u>\$ 634,977</u>	<u>\$ 811,209</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

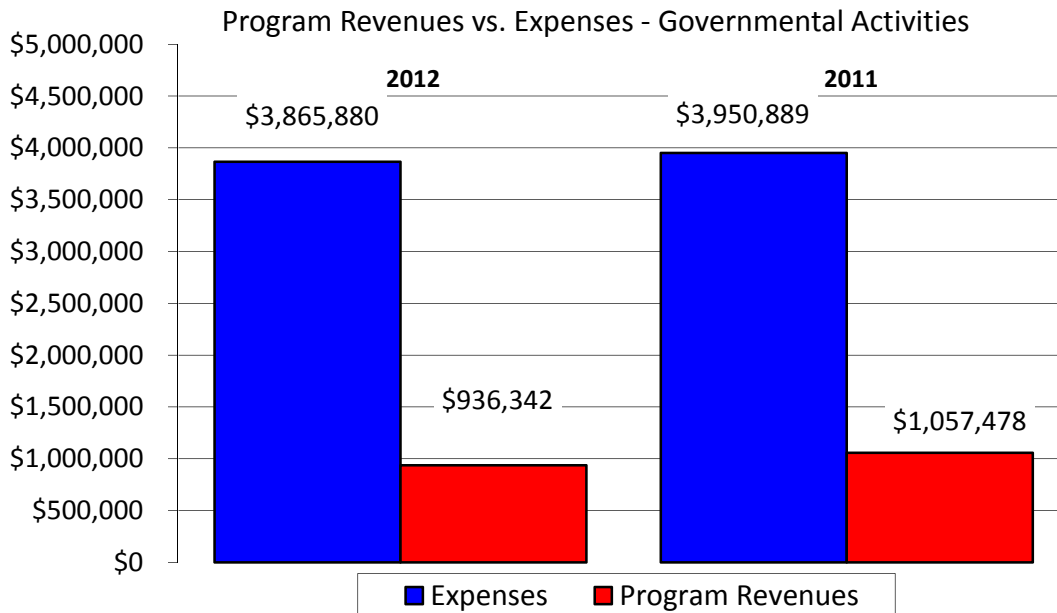
**Governmental Activities**

Governmental activities net position increased \$416,644 in 2012. Public safety which primarily supports the operations of the police and fire department accounted for \$2,775,456 or 71.79% of the total governmental activity expenses of the City. Public safety expenses were partially funded by \$105,849 in direct charges to users of the services. General government expenses totaled \$446,338. General government expenses were partially funded by \$37,372 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$436,035 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$416,665 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,346,182, and amounted to 78.14% of total governmental revenues. The primary source of these general revenues is property taxes of \$2,622,998. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds and homestead and rollback reimbursements from the State of Ohio, making up \$618,590.

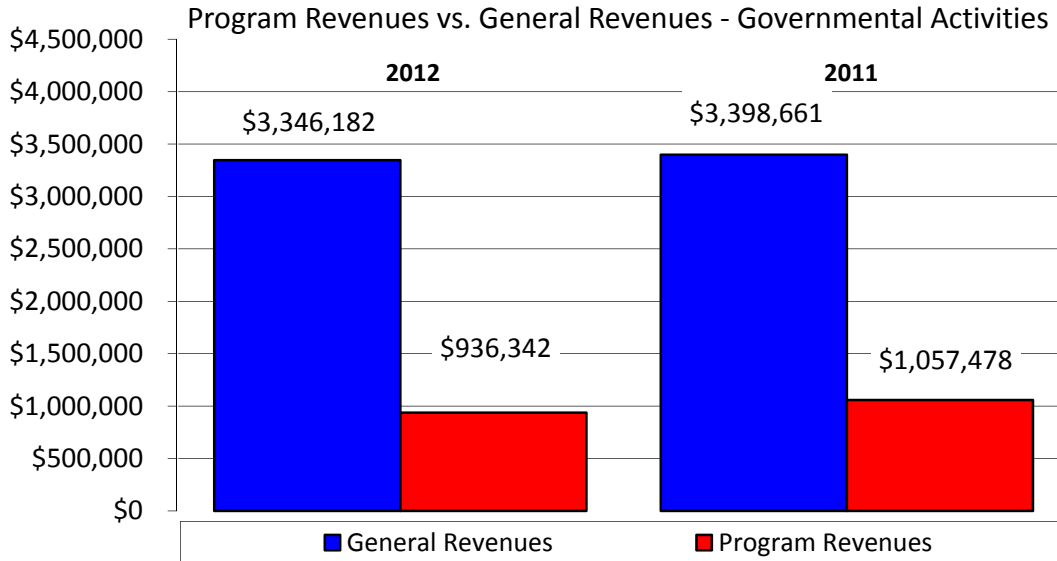
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total expenses and program revenues. The difference identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.



**CITY OF BELLBROOK  
GREENE COUNTY**

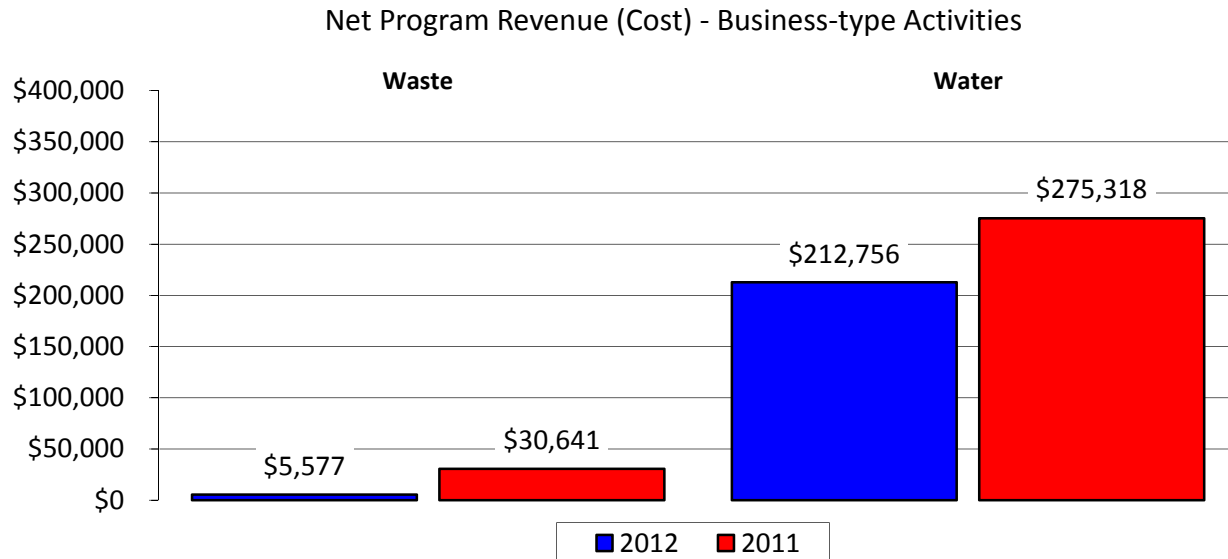
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

The dependence upon general revenues for governmental activities is apparent, with 75.78% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2012 and 2011.



**Business-type Activities**

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,188,042 and expenses of \$1,969,709 for 2012. The graph below shows the net program revenue (cost) for each business-type activity:



**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.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,133,545 which is \$73,616 below last year's total of \$3,207,161. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and non-major governmental funds.

	<b>Fund Balance 12/31/12</b>	<b>Fund Balance 12/31/11</b>	<b>Increase (Decrease)</b>
<b>Major Funds:</b>			
General	\$1,142,218	\$1,226,077	(\$83,859)
Street	165,278	150,705	14,573
Police	31,844	13,971	17,873
Fire	142,327	101,787	40,540
Capital improvement	1,501,938	1,620,985	(119,047)
Other non-major governmental funds	149,940	93,636	56,304
<b>Total</b>	<b>\$3,133,545</b>	<b>\$3,207,161</b>	<b>(\$73,616)</b>

The City's **general fund** balance decreased \$83,959. The table that follows assists in illustrating the revenues of the general fund.

	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Percentage Change</b>
<b>General Fund Revenues:</b>			
Local taxes	\$ 575,762	\$ 597,698	(3.67)%
Intergovernmental	260,044	525,606	(50.52)%
Special assessments	3,906	4,517	(13.53)%
Charges for services	32,821	31,946	2.74%
Fines, licenses & permits	156,409	143,902	8.69%
Investment income	11,099	9,647	15.05%
Miscellaneous receipts	1,929	4,271	(54.83)%
<b>Total</b>	<b>\$1,041,970</b>	<b>\$1,317,587</b>	<b>(20.92)%</b>

During 2012 the City decreased general fund revenues by 20.92%. The 50.52% decrease in intergovernmental was due to significantly lower estate tax collections and local government funding.

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

	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Percentage Change</b>
<b>General Fund Expenditures:</b>			
General government	\$ 375,196	\$400,175	(6.24)%
Public safety	11,056	11,207	(1.35)%
Community environment	79,144	85,808	(7.77)%
Recreation	10,433	14,408	(27.59)%
<b>Other financing uses:</b>			
Transfers out	650,000	450,000	44.44%
<b>Total</b>	<b>\$1,125,829</b>	<b>\$961,598</b>	<b>17.08%</b>

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

During 2012 the City increased total expenditures and other financing uses by 17.08%. The largest expenditure category, general government, decreased 6.24% due primarily to the reduction of personnel costs. Transfers out increased due to an increase in transfers to the capital improvements fund in 2012.

The **street fund** had revenues of \$304,934 in 2012. The expenditures of the street fund, totaled \$290,361 in 2012. The net increase in fund balance for the street fund was 14,573 or 9.67%.

The **police fund** had revenues and other financing sources of \$1,565,369 in 2012. The expenditures of the police fund totaled \$1,547,496 in 2012. The net increase in fund balance for the police fund was \$17,873 or 127.93%. The slight increase can be attributed the approval of a replacement property tax levy in 2011.

The **fire fund** had revenues and other financing sources of \$1,045,555 in 2012. The expenditures of the fire fund totaled \$1,005,015 in 2012. The net increase in fund balance for the fire fund was \$40,540 or 39.83%.

The **capital improvement fund** had revenues other financing sources of \$701,242 in 2012. The expenditures of the capital improvement fund totaled \$820,289 in 2012. The net decrease in fund balance for the capital improvement fund was \$119,047 or -7.34%. The decrease is due to planned expenditures for capital projects. The fund balance is accumulated in anticipation of future significant capital projects.

**General Fund Budgetary Highlights**

General fund appropriations were decreased nominally in 2012. Actual expenditures were \$37,813 less than the final appropriations. In addition, actual revenues exceeded budgetary estimates by \$26,651. Actual results in the general fund were very close to budgetary projections for 2012.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2012, the City had \$19,513,224 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$6,498,393 was reported in governmental activities and \$13,014,831 was reported in business-type activities. Further details regarding the City's capital assets can be found in Note 5 to the Financial Statements.

**Debt Administration**

The City had the following long-term debt outstanding at December 31, 2012 and 2011:

	<b>Business-Type Activities</b>	
	<b>2012</b>	<b>2011</b>
Revenue bonds		\$699,000
General obligation bonds	\$ 610,000	
OPWC loans	1,223,459	1,237,180
Total	\$1,833,459	\$1,936,180

Further detail on the City's long-term obligations can be found in Note 9 to the financial statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

**Economic Conditions and Outlook**

The City of Bellbrook is among the approximately four 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, residential community with virtually no manufacturing businesses and a limited number of service and retail operations.

The largest source of revenue is 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 has become more limited in Bellbrook.

In 2012, there were two active housing developments underway. New single-family housing permits increased slightly in 2012. As the housing market continues to improve activity in the two housing developments is expected to increase. One bright spot in the housing market is the City's proximity to the Wright Patterson Air Force Base, the largest employer in the area.

The State of Ohio, in an effort to balance their budget, has decreased several forms of state aid that the City currently receives. These cuts began to impact the City finances in 2011, but their full effect will not be felt until future fiscal years. The State's next budget proposal does not include further reductions at this time, but it has not yet been approved legislatively.

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.

**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. Mark Schlagheck, City Manager/Finance Director, 15 East Franklin Street, Bellbrook, Ohio 45305.

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**CITY OF BELLBROOK  
GREENE COUNTY**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Pooled cash and investments	\$3,183,730	\$1,548,746	\$4,732,476
Cash and cash equivalents with fiscal agents	12,796		12,796
<b>Receivables (net):</b>			
Taxes	2,680,378		2,680,378
Accounts	75,863	324,374	400,237
Intergovernmental	437,717		437,717
Interest	2,817		2,817
Special assessments	2,880	7,829	10,709
Inventory	51,402	48,054	99,456
Prepaid items	25,664	15,212	40,876
Deferred charges		34,850	34,850
<b>Capital assets:</b>			
<b>Capital assets not subject to depreciation:</b>			
Land and land improvements	262,230	604,370	866,600
Capital assets net of accumulated depreciation	6,236,163	12,410,461	18,646,624
<b>Total assets</b>	<b>12,971,640</b>	<b>14,993,896</b>	<b>27,965,536</b>
<b>Liabilities:</b>			
Accounts payable	11,205	40,544	51,749
Accrued liabilities	144,050	50,870	194,920
Due to other governments	113,029	16,489	129,518
Unearned revenue	2,560,250	27,045	2,587,295
Accrued interest payable		2,277	2,277
<b>Non-current liabilities:</b>			
Due within one year	110,128	190,670	300,798
Due in more than one year	86,255	1,696,197	1,782,452
<b>Total liabilities</b>	<b>3,024,917</b>	<b>2,024,092</b>	<b>5,049,009</b>
<b>Net Position:</b>			
Net investment in capital assets	6,498,393	11,216,222	17,714,615
<b>Restricted for:</b>			
Capital improvement	1,501,938		1,501,938
Public safety	281,192		281,192
Streets & highways	421,861		421,861
Other purposes	522		522
Unrestricted	1,242,817	1,753,582	2,996,399
<b>Total net position</b>	<b>9,946,723</b>	<b>12,969,804</b>	<b>22,916,527</b>
<b>Total liabilities and net position</b>	<b>\$12,971,640</b>	<b>\$14,993,896</b>	<b>\$27,965,536</b>

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

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

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>							
<b>Governmental activities:</b>							
General government	\$446,338	\$37,372			(\$408,966)		(\$408,966)
Public safety	2,775,456	105,849	\$19,370		(2,650,237)		(2,650,237)
Community environment	76,435	4,587			(71,848)		(71,848)
Recreation	10,433				(10,433)		(10,433)
Transportation	557,218		416,665	352,499	211,946		211,946
Total governmental activities	<u>3,865,880</u>	<u>147,808</u>	<u>436,035</u>	<u>352,499</u>	<u>(2,929,538)</u>		<u>(2,929,538)</u>
<b>Business-type activities:</b>							
Waste collection	478,701	484,278				\$5,577	5,577
Water	1,491,008	1,703,764				212,756	212,756
Total business-type activities	<u>1,969,709</u>	<u>2,188,042</u>				<u>218,333</u>	<u>218,333</u>
Total	<u>\$5,835,589</u>	<u>\$2,335,850</u>	<u>\$436,035</u>	<u>\$352,499</u>	<u>(2,929,538)</u>	<u>218,333</u>	<u>(2,711,205)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					2,622,998		2,622,998
Estate taxes					67,656		67,656
Grants and contributions not restricted to specific programs					618,590		618,590
Investment earnings					11,107		11,107
Miscellaneous					25,831		25,831
Total general revenues and transfers					<u>3,346,182</u>		<u>3,346,182</u>
Change in net position					416,644	218,333	634,977
Net position - beginning					<u>9,530,079</u>	<u>12,751,471</u>	<u>22,281,550</u>
Net position - ending					<u>\$9,946,723</u>	<u>\$12,969,804</u>	<u>\$22,916,527</u>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Street</b>	<b>Police</b>	<b>Fire</b>	<b>Capital Improvements</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>							
Pooled cash and investments	\$1,115,400	\$118,755	\$158,415	\$195,610	\$1,489,142	\$106,408	\$3,183,730
<b>Receivables (net):</b>							
Taxes	581,810		1,312,804	741,780		43,984	2,680,378
Accounts	32,187			43,676			75,863
Intergovernmental	92,573	144,113	101,551	56,825		42,655	437,717
Interest	2,817						2,817
Special assessments	2,880						2,880
Inventory		16,404	2,368	1,353		31,277	51,402
Prepaid items	1,231	3,308	15,889	5,236			25,664
<b>Restricted assets:</b>							
Cash and cash equivalents with fiscal agent					12,796		12,796
<b>Total assets</b>	<b>1,828,898</b>	<b>282,580</b>	<b>1,591,027</b>	<b>1,044,480</b>	<b>1,501,938</b>	<b>224,324</b>	<b>6,473,247</b>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable	8,960		982	1,198		65	11,205
Accrued liabilities	10,167	16,322	80,915	36,646			144,050
Due to other governments	5,713	4,378	64,327	38,611			113,029
Deferred revenue	661,840	96,602	1,412,959	825,698		74,319	3,071,418
<b>Total liabilities</b>	<b>686,680</b>	<b>117,302</b>	<b>1,559,183</b>	<b>902,153</b>		<b>74,384</b>	<b>3,339,702</b>
<b>Fund Balances:</b>							
Non-spendable: Inventory and prepaic	1,231	19,712	18,257	6,589		31,277	77,066
<b>Restricted for:</b>							
Public safety			13,587	135,738		877	150,202
Transportation		145,566			12,796	117,264	275,626
<b>Committed to:</b>							
Transportation						522	522
<b>Assigned to:</b>							
Public safety					58,679		58,679
Other capital projects					1,430,463		1,430,463
Unassigned	1,140,987						1,140,987
<b>Total fund balances</b>	<b>1,142,218</b>	<b>165,278</b>	<b>31,844</b>	<b>142,327</b>	<b>1,501,938</b>	<b>149,940</b>	<b>3,133,545</b>
<b>Total liabilities and fund balances</b>	<b>\$1,828,898</b>	<b>\$282,580</b>	<b>\$1,591,027</b>	<b>\$1,044,480</b>	<b>\$1,501,938</b>	<b>\$224,324</b>	<b>\$6,473,247</b>

See Notes to the Basic Financial Statements.

CITY OF BELLBROOK  
GREENE COUNTY

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

Total governmental fund balances	\$3,133,545
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,498,393
Other long-term assets are not available to pay for current-period expenditures and	
Property taxes receivable	120,128
Accounts receivable	27,093
Intergovernmental receivable	361,067
Special assessment receivable	2,880
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds	
Compensated absences	(196,383)
Net position of governmental activities	<u><u>\$9,946,723</u></u>

**CITY OF BELLBROOK  
GREENE COUNTY**

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

	<u>General</u>	<u>Street</u>	<u>Police</u>	<u>Fire</u>	<u>Capital Improvements</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>							
Local taxes	\$575,762		\$1,295,154	\$731,989		\$43,659	\$2,646,564
Intergovernmental revenues	260,044	\$298,572	213,138	114,641	\$193,331	87,823	1,167,549
Special assessments	3,906						3,906
Charges for services	32,821			98,732			131,553
Fines, licenses and permits	156,409						156,409
Investment income	11,099						11,099
Miscellaneous receipts	1,929	6,362	7,077	193	7,911	653	24,125
Total revenues	<u>1,041,970</u>	<u>304,934</u>	<u>1,515,369</u>	<u>945,555</u>	<u>201,242</u>	<u>132,135</u>	<u>4,141,205</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	375,196					319	375,515
Public safety	11,056		1,547,496	1,005,015		52,336	2,615,903
Community environment	79,144						79,144
Recreation	10,433						10,433
Transportation		290,361				23,176	313,537
Capital outlay					820,289		820,289
Total expenditures	<u>475,829</u>	<u>290,361</u>	<u>1,547,496</u>	<u>1,005,015</u>	<u>820,289</u>	<u>75,831</u>	<u>4,214,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>566,141</u>	<u>14,573</u>	<u>(32,127)</u>	<u>(59,460)</u>	<u>(619,047)</u>	<u>56,304</u>	<u>(73,616)</u>
<b>Other financing Sources (Uses):</b>							
Transfers in			50,000	100,000	500,000		650,000
Transfers out	<u>(650,000)</u>						<u>(650,000)</u>
Total other financing sources (uses)	<u>(650,000)</u>		<u>50,000</u>	<u>100,000</u>	<u>500,000</u>		
Net change in fund balances	(83,859)	14,573	17,873	40,540	(119,047)	56,304	(73,616)
Fund balances, beginning of year	<u>1,226,077</u>	<u>150,705</u>	<u>13,971</u>	<u>101,787</u>	<u>1,620,985</u>	<u>93,636</u>	<u>3,207,161</u>
Fund balances, end of year	<u>\$1,142,218</u>	<u>\$165,278</u>	<u>\$31,844</u>	<u>\$142,327</u>	<u>\$1,501,938</u>	<u>\$149,940</u>	<u>\$3,133,545</u>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

Net change in fund balances - total governmental funds (\$73,616)

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

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	956,235
Current year depreciation	(400,131)

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

(8,452)

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

Property taxes	(23,566)
Charges for services	(11,503)
Intergovernmental revenue	(21,044)
Special assessments	856

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

(2,135)

Change in net position of governmental activities

\$416,644

**CITY OF BELLBROOK  
GREENE COUNTY**

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

	<u>Business-type Activities</u>		
	<u>Waste Collection</u>	<u>Water</u>	<u>Totals</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Pooled cash and investments	\$272,673	\$1,276,073	\$1,548,746
<b>Receivables (net):</b>			
Accounts	1,394	322,980	324,374
Special assessments		7,829	7,829
Inventory		48,054	48,054
Prepaid items	203	15,009	15,212
Total current assets	<u>274,270</u>	<u>1,669,945</u>	<u>1,944,215</u>
<b>Non-current assets:</b>			
Deferred charges		34,850	34,850
<b>Capital assets:</b>			
<b>Capital assets not subject to depreciation:</b>			
Land and land improvements		604,370	604,370
Capital assets (net of accumulated depreciation)	39,998	12,370,463	12,410,461
Total non-current assets	<u>39,998</u>	<u>13,009,683</u>	<u>13,049,681</u>
Total assets	<u>314,268</u>	<u>14,679,628</u>	<u>14,993,896</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	35,710	4,834	40,544
Accrued liabilities	2,106	48,764	50,870
Compensated absences	3,384	46,113	49,497
Due to other governments	248	16,241	16,489
Current portion of OPWC loans		81,173	81,173
Current portion of general obligation bonds		60,000	60,000
Accrued interest payable		2,277	2,277
Deferred revenue	27,045		27,045
Total current liabilities	<u>68,493</u>	<u>259,402</u>	<u>327,895</u>
<b>Non-current liabilities:</b>			
General obligation bonds		550,000	550,000
OPWC loans		1,142,286	1,142,286
Compensated absences		3,911	3,911
Total noncurrent liabilities		<u>1,696,197</u>	<u>1,696,197</u>
Total liabilities	<u>68,493</u>	<u>1,955,599</u>	<u>2,024,092</u>
<b>Net Position:</b>			
Net investment in capital assets	39,998	11,176,224	11,216,222
Unrestricted	205,777	1,547,805	1,753,582
Total net position	<u>245,775</u>	<u>12,724,029</u>	<u>12,969,804</u>
Total liabilities and net position	<u>\$314,268</u>	<u>\$14,679,628</u>	<u>\$14,993,896</u>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES  
IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 12, 2012**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for services	\$483,083	\$1,689,556	\$2,172,639
Other revenue	1,195	14,208	15,403
Total operating revenues	484,278	1,703,764	2,188,042
<b>Operating Expenses:</b>			
Personal services	28,316	774,044	802,360
Purchased services	437,040	189,048	626,088
Supplies and materials		150,014	150,014
Other expenses	2,098	1,648	3,746
Depreciation	11,247	354,737	365,984
Total operating expenses	478,701	1,469,491	1,948,192
Operating income (loss)	5,577	234,273	239,850
<b>Non-operating Revenues (Expenses):</b>			
Interest expense		(21,517)	(21,517)
Total nonoperating revenues (expenses)		(21,517)	(21,517)
Change in net position	5,577	212,756	218,333
Total net position - beginning of year	240,198	12,511,273	12,751,471
Total net position - end of year	\$245,775	\$12,724,029	\$12,969,804

*See Notes to the Basic Financial Statements.*



**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 12, 2012**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$482,723	\$1,695,214	\$2,177,937
Cash paid to employees	(29,344)	(804,767)	(834,111)
Cash paid to suppliers of goods and services	(439,967)	(326,531)	(766,498)
Other receipts	1,195	14,208	15,403
Net cash provided (used) by operating activities	<u>14,607</u>	<u>578,124</u>	<u>592,731</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets		(18,905)	(18,905)
Principal retirement on revenue bonds		(699,000)	(699,000)
Proceeds from sale of bonds		610,000	610,000
Principal retirement on OPWC loans		(13,721)	(13,721)
Interest and fiscal charges		(77,390)	(77,390)
Net cash provided (used) by capital and related financing activities		<u>(199,016)</u>	<u>(199,016)</u>
Increase (decrease) in cash and cash equivalents	14,607	379,108	393,715
Cash and cash equivalents at beginning of year	<u>258,066</u>	<u>896,965</u>	<u>1,155,031</u>
Cash and cash equivalents at end of year	<u>272,673</u>	<u>1,276,073</u>	<u>1,548,746</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	<u>5,577</u>	<u>234,273</u>	<u>239,850</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	11,247	354,737	365,984
<b>Change in operating assets and liabilities:</b>			
(Increase) decrease in receivables	340	5,658	5,998
(Increase) decrease in prepaid items	(17)	586	569
(Increase) decrease in inventories		29,865	29,865
Increase (decrease) in liabilities	(2,540)	(46,995)	(49,535)
Total adjustments	<u>9,030</u>	<u>343,851</u>	<u>352,881</u>
Net cash provided (used) by operating activities	<u>\$14,607</u>	<u>\$578,124</u>	<u>\$592,731</u>

See Notes to the Basic Financial Statements.

CITY OF BELLBROOK  
GREENE COUNTY

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 12, 2012

	<u>Agency Fund</u>
<b>Assets:</b>	
Pooled cash and cash equivalents	<u>\$25,135</u>
<b>Liabilities:</b>	
Undistributed monies	<u><u>\$25,135</u></u>

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Bellbrook, Ohio (the "City") is a home rule municipal corporation under the laws of the State of Ohio and operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1971 and has subsequently been amended.

The City provides various services including police and fire protection, street maintenance, water utility service, planning, zoning and other general government 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.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

**B. Government-wide and Fund Financial Statements**

**1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government, except for its fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fund Financial Statements**

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

The City reports the following major governmental funds:

**General fund** – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Street fund** – This fund accounts for the portion of gasoline and motor vehicle license fees restricted for the maintenance of streets.

**Police fund** – This fund accounts for money received and expended for the Police department.

**Fire fund** – This fund accounts for money received and expended for the Fire department.

**Capital improvement fund** – This fund is used to account for the financial resources to be used for the acquisition or construction of various capital improvement projects.

The City reports the following major proprietary funds:

**Water fund** – This fund accounts for the operations of the water system to residential and commercial users in the service area.

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

Additionally, the City reports the following fund type:

**Agency fund** – This fund accounts for assets held by the City as an agent (i.e. payroll withholdings and performance bonds).

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using a current financial resources measurement focus and are reported on a modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which, for the City's purposes, is considered to be 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues considered susceptible to accrual are property taxes, franchise fees, state-levied locally shared taxes, fines and forfeitures and fees. These revenues have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports deferred revenue on its governmental funds' balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Pooled Cash and Investments**

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.

Interest earnings are allocated to the General Fund except for funds derived from contract, trust agreement, grant terms or City policy which require crediting otherwise. Interest revenue credited to the General Fund during 2012 amounted to \$11,099, which includes \$8,407 assigned from other funds.

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

All investments are stated at fair value, which are based on quoted market prices.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**F. Capital Assets**

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 position, 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 position 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 2012, 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 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>Estimated Useful Life</u>
Land Improvements	10 – 15 years
Buildings & Improvements	50 years
Machinery & Equipment	5 – 20 years
Vehicles	5 – 20 years
Infrastructure	20 – 50 years
Utility Structures in Service	50 – 75 years

**G. Compensated Absences**

Employees of the City are granted vacation and sick leave in varying amounts. In the event of separation, an employee may be reimbursed for accumulated vacation and sick leave at varying rates.

Vested vacation and sick leave is recorded as an expense in the government-wide financial statements for the period in which such leave was earned. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**I. Fund Balance Classifications**

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

**Non-spendable** – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. The non-spendable fund balances for the City includes materials and supplies inventory, cash and cash equivalents with fiscal agents and principal portion of cemetery bequest.

**Restricted** – The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the General Fund, assigned amounts represent intended uses established by Council or a City official delegated that authority by City charter or ordinance. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

**J. Estimates**

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the of the financial statements and reported revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

**K. Net Position**

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

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

**L. Change in Accounting Principles**

For fiscal year 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Pre November 30, 1989, FASB and AICPA Pronouncements" and Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any changes in the City's financial statements.



**CITY OF BELLBROOK  
GREENE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

**2. POOLED CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as "Pooled cash and investments."

**A. Deposits**

At December 31, 2012, the bank balance of the City's cash deposits was \$3,584,889. As of December 31, 2012, \$2,537,461 of the City's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and \$1,047,428 was exposed to custodial credit risk as described below.

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 that are not FDIC insured. 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. The City has no deposit policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

**B. Investments**

The Ohio Revised Code and the City's investment policy authorize the City to invest in the State Treasury Asset Reserve of Ohio, certificates of deposit, repurchase agreements, United States treasury bills and notes, federal agency securities, bankers' acceptances and commercial paper of the highest rating. The city's investment policy applies to all funds and fund types. All deposits are made to authorized public depositories and contracts with such institutions are in accordance with the Ohio Revised Code and the City's investment policy.

The City invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The State operates the pool in accordance with Ohio Revised Code Section 135.45. 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, 2012.

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

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**2. POOLED CASH AND INVESTMENTS (Continued)**

<b>Investment Type:</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>	
		<b>Less than 1</b>	<b>1-5</b>
Federal National Mortgage Association Bonds	\$ 402,925		\$402,925
Federal Farm Credit Bonds	410,875	\$200,859	210,016
Federal Home Loan Mortgage Corporation Bonds	401,597	200,311	201,286
Schwab Money Market	6,194	6,194	
STAR Ohio	2,210	2,210	
	<u>\$1,223,801</u>	<u>\$409,574</u>	<u>\$814,227</u>

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from fluctuating interest rates and in accordance with the Ohio Revised Code, the City's investment policy limits investment portfolio maturities to five years or less. The investment policy also requires sufficient liquidity to be maintained in the portfolio and that investments be scheduled to mature concurrently with ongoing cash requirements so that the City's obligations can be met without selling securities.

**Custodial Credit Risk:** 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. The City has no investment policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

**Credit Risk:** It is the City's policy to limit its investments that are not obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. As of December 31, 2012, the City's investment in STAR Ohio was rated AAAM by Standard & Poor's. 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, 2012:

<b>Investment Type</b>	<b>% of Total</b>
Federal National Mortgage Association Bonds	32.92%
Federal Farm Credit Bonds	33.57%
Federal Home Loan Mortgage Corporation Bonds	32.82%
Schwab Money Market	0.51%
STAR Ohio	0.18%

**Cash with Fiscal Agent** - At year-end, the City had \$12,796 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, 2012. This amount is not included in the City's depository balance.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**3. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

Fund	Transfer In	Transfer Out
General		\$650,000
Police	\$ 50,000	
Fire	100,000	
Capital improvements	500,000	
Total	\$650,000	\$650,000

**4. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property taxes are levied each December 31<sup>st</sup> on the assessed value listed as of the prior December 31<sup>st</sup>. Assessed values are established for real property at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2011.

The property tax calendar is as follows:

Levy date	December 31, 2011
Lien date	December 31, 2011
First installment payment due	February 15, 2012
Second installment payment due	July 15, 2012

The Greene 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. Property taxes may be paid on an annual or semi-annual basis.

The full tax rate for all City operations for the year ended December 31, 2012 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real estate	\$163,053,550
Public utility tangible personal property	3,087,880
Total	\$166,141,430

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated:</b>				
Land	\$ 262,230			\$ 262,230
Subtotal	<u>262,230</u>			<u>262,230</u>
<b>Capital assets being depreciated:</b>				
Land improvements	266,319			266,319
Buildings and improvements	3,036,592	\$ 29,410		3,066,002
Machinery and equipment	744,751	31,864	(\$21,954)	754,661
Vehicles	1,735,996	309,974	(44,077)	2,001,893
Infrastructure	3,163,252	584,987		3,748,239
Subtotal	<u>8,946,910</u>	<u>956,235</u>	<u>(66,031)</u>	<u>9,837,114</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(236,918)	(4,687)		(241,605)
Building and improvements	(942,712)	(63,981)		(1,006,693)
Machinery and equipment	(431,500)	(56,456)	13,502	(474,454)
Vehicles	(1,160,784)	(112,359)	44,077	(1,229,066)
Infrastructure	(486,485)	(162,648)		(649,133)
Subtotal	<u>(3,258,399)</u>	<u>(400,131)</u>	<u>57,579</u>	<u>(3,600,951)</u>
Net capital assets	<u>\$5,950,741</u>	<u>\$556,104</u>	<u>(\$ 8,452)</u>	<u>\$6,498,393</u>

Depreciation was charged to governmental activities as follows:

General government	\$71,261
Public safety	143,810
Transportation	185,060
Total governmental activities depreciation expense	<u>\$400,131</u>

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated:</b>				
Land	\$ 604,370			\$ 604,370
Subtotal	<u>604,370</u>			<u>604,370</u>
<b>Capital assets being depreciated:</b>				
Land improvements	29,958			29,958
Utility structures in service	14,094,498			14,094,498
Buildings and improvements	5,167,763	\$10,000		5,177,763
Machinery and equipment	378,875	8,905		387,780
Vehicles	159,748			159,748
Subtotal	<u>19,830,842</u>	<u>18,905</u>		<u>19,849,747</u>

(Continued)

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**5. CAPITAL ASSETS (Continued)**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(25,292)	(1,091)		(26,383)
Utility structures in service	(5,763,360)	(192,216)		(5,955,576)
Buildings and improvements	(1,061,283)	(121,811)		(1,183,094)
Machinery and equipment	(169,594)	(36,836)		(206,430)
Vehicles	(53,773)	(14,030)		(67,803)
Subtotal	<u>(7,073,302)</u>	<u>(365,984)</u>		<u>(7,439,286)</u>
Net capital assets	<u>\$13,361,910</u>	<u>(\$347,079)</u>	<u>\$0</u>	<u>\$13,014,831</u>

Depreciation was charged to business-type activities as follows:

Waste collection	\$ 11,247
Water	<u>354,737</u>
Total business-type activities depreciation expense	<u>\$365,984</u>

**6. 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; and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA), a joint insurance pool. The pool consists of twenty municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability.

The City pays an annual premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. During 2012, MVRMA's per occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$10,000 - \$350,000 per occurrence retention limit. Liability had a per occurrence retention limit of \$500,000. After the retention limits are reached, excess insurance will cover up to the limits stated below:

General liability	\$ 10,000,000 per occurrence
Automobile liability	\$ 10,000,000 per occurrence
Police professional liability	\$ 10,000,000 per occurrence
Public officials liability	\$ 10,000,000 per occurrence
Boiler and machinery	\$ 100,000,000 per occurrence
Property	\$1,000,000,000 per occurrence
Flood	\$ 25,000,000 per occurrence
Earthquake	\$ 25,000,000 per occurrence

There were no significant reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in each of the past three years.

The City is a member of a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers compensation rating purposes. The City pays the State Workers' Compensation System a premium based on salaries paid.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

Medical coverage is offered to employees through a self-funded insurance plan. The plan is offered to local governments state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, Ohio and administered by United Healthcare of Ohio.

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially determined that \$115,914 is a good and sufficient provision for incurred but not reported claims as of December 31, 2012. This amount is non-discounted and is based upon historical claims experience. The claims liability is reported in the respective funds from which employee salaries are paid as part of the accrued liabilities on the governmental and proprietary funds balance sheet.

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	(\$206,446)	(\$271,400)	\$279,512	(\$198,334)
2012	(198,334)	(200,683)	283,103	(115,914)

**7. PENSION PLANS**

Substantially all City employees are covered by one of two pension plans: the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F).

**A. Ohio Public Employees Retirement System (OPERS)**

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

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

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**7. PENSION PLANS (Continued)**

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. Plan members were required to contribute 10.0% of their annual covered salary and the City was required to contribute 14.0%. The City's required contributions for pension obligations for the years ended December 31, 2012, 2011, and 2010 were \$109,765, \$121,985 and \$107,708, respectively; 91% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

**B. Ohio Police and Fire Pension Fund (OP&F)**

**Plan Description** - OP&F is a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. The City's contributions for pension obligations for the years ended December 31, 2012, 2011, and 2010 were \$179,159, \$176,480 and \$174,676, respectively; 74% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

**8. OTHER POST-EMPLOYMENT BENEFIT (OPEB)**

In addition to the pension benefits described in Note 7, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide post-retirement healthcare coverage which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

OPERS issue a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (800) 222-7377.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**8. OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)**

**Funding Policy** - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Active members do not make contributions to the post-employment healthcare plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan was 6.05% during calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions allocated to fund post-employment benefits for the years ended December 31, 2012, 2011 and 2010 were \$43,903, \$48,790, and \$61,354, respectively; 91% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

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

**B. Ohio Police and Fire Pension Fund**

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

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

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

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



**CITY OF BELLBROOK  
GREENE COUNTY**

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

**8. OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)**

**Funding Policy** - The ORC provides for contributions requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employees, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

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

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

The City's contributions allocated to fund post-employment benefits were \$85,159, \$83,869 and \$83,038 for the years ended December 31, 2012, 2011 and 2010, respectively; 74% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

The number of participants eligible to receive health care benefits as of December 31, 2011 was 15,572 for Police and 11,506 for Firefighters. The plan's total health care expenses for the year ended December 31, 2011 were \$113,812,105, which was net of member contributions of \$62,528,377.

**9. LONG-TERM OBLIGATIONS**

A. During 2012, the following changes occurred in the governmental activities long-term obligations:

	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due within One Year</u>
<b>Governmental-type Activities:</b>					
Compensated Absences	\$194,248	\$196,383	\$(194,248)	\$196,383	\$110,128
Total	<u>\$194,248</u>	<u>\$196,383</u>	<u>\$(194,248)</u>	<u>\$196,383</u>	<u>\$110,128</u>

**Compensated absences:** Compensated absences are reported in the statement of net position 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.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**9. LONG-TERM OBLIGATIONS (Continued)**

B. During 2012, the following changes occurred in the business-type activities long-term obligations:

	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due within One Year</u>
<b>Business-type Activities:</b>					
<b>Revenue bonds:</b>					
Waterworks system					
1982 5.00%	\$ 699,000		(\$699,000)		
<b>General obligation bonds:</b>					
Waterworks system					
2012 2.00-2.65%		\$610,000		\$ 610,000	\$ 60,000
<b>Ohio Public Works Commission loan:</b>					
Elevated water storage tank					
1995 0.00%	112,500		(12,500)	100,000	25,000
Water treatment plant improvements					
2010 0.00%	1,124,680		(1,221)	1,123,459	56,173
Compensated Absences	57,069	53,408	(57,069)	53,408	49,497
Total	<u>\$1,993,249</u>	<u>\$663,408</u>	<u>(\$769,790)</u>	<u>\$1,886,867</u>	<u>\$190,670</u>

C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2012, follows:

<b>Year Ending December 31,</b>	<b>General Obligation Bonds</b>		<b>OPWC Loans</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 60,000	\$13,062	\$ 81,173	
2014	65,000	11,812	81,173	
2015	60,000	10,562	81,173	
2016	65,000	9,312	81,173	
2017	65,000	8,013	56,173	
2018-2022	295,000	15,608	280,865	
2023-2027			280,865	
2028-2032			280,864	
	<u>\$610,000</u>	<u>\$68,369</u>	<u>\$1,223,459</u>	<u>\$0</u>

**D. 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 un-voted 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, 2012, the City's total debt margin was \$17,444,850 and the un-voted debt margin was \$9,137,779.

**E. Current Refunding of Debt**

On April 11, 2012, the City issued \$610,000 in general obligation bonds with an average interest rate of 2.37% for the purpose of refunding \$699,000 of then-outstanding 1982 revenue bonds with a stated interest rate of 5%. The current refunding resulted in a positive difference between the cash flows required to service the 1982 revenue bonds and the cash flows required to service the 2012 general obligation bonds of \$160,591. The economic gain for the refunding has a present value of \$70,110.

**CITY OF BELLBROOK  
GREENE COUNTY**

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

**10. 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, 2012.

**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.

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**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Local taxes	\$556,500	\$575,760	\$575,762	\$2
Intergovernmental revenues	253,235	261,375	273,099	11,724
Charges for services	35,000	36,750	36,727	(23)
Fines, licenses, and permits	138,000	139,250	155,276	16,026
Interest earned	6,000	9,500	10,493	993
Miscellaneous and reimbursements	4,000	4,000	1,929	(2,071)
Total revenues	<u>992,735</u>	<u>1,026,635</u>	<u>1,053,286</u>	<u>26,651</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	590,850	406,940	376,434	30,506
Public safety	11,040	11,100	11,056	44
Community environment	82,838	82,838	81,123	1,715
Recreation	16,203	16,203	10,655	5,548
Total expenditures	<u>700,931</u>	<u>517,081</u>	<u>479,268</u>	<u>37,813</u>
Excess (deficiency) of revenues over expenditures	291,804	509,554	574,018	64,464
<b>Other financing sources (uses):</b>				
Transfers (out)	(650,000)	(650,000)	(650,000)	
Total other financing sources (uses)	<u>(650,000)</u>	<u>(650,000)</u>	<u>(650,000)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(358,196)	(140,446)	(75,982)	64,464
Fund balance at beginning of year	<u>1,192,053</u>	<u>1,192,053</u>	<u>1,192,053</u>	
Prior year encumbrances appropriated				
Fund balance at end of year	<u>\$833,857</u>	<u>\$1,051,607</u>	<u>\$1,116,071</u>	<u>\$64,464</u>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental revenues	\$299,000	\$299,000	\$298,737	(\$263)
Miscellaneous and reimbursements	11,000	12,700	6,362	(6,338)
Total revenues	<u>310,000</u>	<u>311,700</u>	<u>305,099</u>	<u>(6,601)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Transportation	311,075	308,675	291,597	17,078
Total expenditures	<u>311,075</u>	<u>308,675</u>	<u>291,597</u>	<u>17,078</u>
Excess (deficiency) of revenues over expenditure:	(1,075)	3,025	13,502	10,477
Fund balance at beginning of year	105,253	105,253	105,253	
Prior year encumbrances appropriated				
Fund balance at end of year	<u><u>\$104,178</u></u>	<u><u>\$108,278</u></u>	<u><u>\$118,755</u></u>	<u><u>\$10,477</u></u>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
POLICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Local taxes	\$1,262,250	\$1,295,152	\$1,295,154	\$2
Intergovernmental revenues	183,250	213,268	214,237	969
Miscellaneous and reimbursements	6,050	8,350	7,077	(1,273)
Total revenues	<u>1,451,550</u>	<u>1,516,770</u>	<u>1,516,468</u>	<u>(302)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	1,553,248	1,610,348	1,566,119	44,229
Total expenditures	<u>1,553,248</u>	<u>1,610,348</u>	<u>1,566,119</u>	<u>44,229</u>
Excess (deficiency) of revenues over expenditures	(101,698)	(93,578)	(49,651)	43,927
<b>Other financing sources (uses):</b>				
Transfers in	50,000	50,000	50,000	
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(51,698)	(43,578)	349	43,927
Fund balance at beginning of year	158,065	158,065	158,065	
Prior year encumbrances appropriated				
Fund balance at end of year	<u>\$106,367</u>	<u>\$114,487</u>	<u>\$158,414</u>	<u>\$43,927</u>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SSCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Local taxes	\$707,875	\$731,989	\$731,989	
Intergovernmental revenues	101,125	111,641	114,641	\$3,000
Charges for services	100,000	95,000	97,853	2,853
Miscellaneous and reimbursements	500	500	193	(307)
Total revenues	<u>909,500</u>	<u>939,130</u>	<u>944,676</u>	<u>5,546</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	1,051,790	1,044,390	1,016,317	28,073
Total expenditures	<u>1,051,790</u>	<u>1,044,390</u>	<u>1,016,317</u>	<u>28,073</u>
Excess (deficiency) of revenues over expenditures	(142,290)	(105,260)	(71,641)	33,619
<b>Other financing sources (uses):</b>				
Transfers in	100,000	100,000	100,000	
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(42,290)	(5,260)	28,359	33,619
Fund balance at beginning of year	166,116	166,116	166,116	
Prior year encumbrances appropriated	<u>1,135</u>	<u>1,135</u>	<u>1,135</u>	
Fund balance at end of year	<u><u>\$124,961</u></u>	<u><u>\$161,991</u></u>	<u><u>\$195,610</u></u>	<u><u>\$33,619</u></u>

*See Notes to the Required Supplementary Information.*



**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Budgets and Budgetary Accounting**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year. Appropriations are legally required for each fund at the level of personal services or other expenses on a department level.

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to part of restricted, committed or assigned 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.

**Reconciliation of Budget Basis to GAAP Basis**

The adjustments necessary to convert the results of operations and fund balances at end of the year on the GAAP basis to the budget basis are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Police Fund</u>	<u>Fire Fund</u>
GAAP basis	(\$83,859)	\$14,573	\$17,873	\$40,540
Net adjustment for revenue accruals	11,316	165	1,099	(879)
Net adjustment for expenditure accruals	(3,439)	(1,236)	(18,623)	(11,302)
Net adjustment for encumbrances				
Budget basis	<u>(\$75,982)</u>	<u>\$13,502</u>	<u>\$ 349</u>	<u>\$28,359</u>

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# Dave Yost • Auditor of State

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

City of Bellbrook  
Greene County  
15 East Franklin Street  
Bellbrook, Ohio 45305

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Greene County, (the City) as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 16, 2013.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

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

***Entity's Response to Findings***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 16, 2013

CITY OF BELLBROOK  
GREENE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012

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

FINDING NUMBER 2012-001

**MATERIAL WEAKNESS**

The City presented its financial statements in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments*. The City's 2012 annual financial report contained errors which resulted in following reclassifications and adjustments to correctly report the City's financial activity:

- Original Budgeted General Government Expenditures in the general fund were understated by \$175,950 on the Schedule of Revenues, Expenditures, & Changes in Fund Balances - Budget and Actual – Budgetary (Non-GAAP) Basis.
- Net Investment in Capital Assets was overstated and the Unrestricted Net Position was understated by \$342,552 in governmental activities.
- The City overstated payments made to suppliers of goods and services in the amount of \$1,221 and understated principal retirements on OPWC loans by the same amount on the water fund statement of cash flows.
- The City netted \$610,000 in Proceeds from Sale of Bonds against principal retirement on revenue bonds (\$543,000) and Interest and Fiscal Charges (67,000) on the water fund statement of cash flows.

The accompanying financial statements were adjusted to correct the misstatements noted above. In addition, the City's 2012 annual financial report contained the following immaterial errors that did not require and adjustment to the made to the financial statements:

- \$522 of Non-Major Governmental Fund ending balance was reported as assigned rather than committed. The error was not material to the financial statements. However, the City elected to make the adjustment.
- Water fund and business type activities' inventory was overstated by \$22,306.

Policies and procedures should be established and implemented to verify that the City's financial statements are free of any material misstatements and are presented in accordance with reporting requirements of Government Accounting Standards Board. Failure to do so could result in material misstatements going unnoticed and opinion modifications in future audits.

**Official's Response:** The errors identified as material weaknesses have been corrected in the financial statements. These errors were noted in draft financial statements. The City does not agree that these errors indicate a material weakness since they have been corrected in the issued financial statements. For the 2012 Statement of Net Assets, the adjustments had no impact on total net assets. In fact, unrestricted net assets actually increased. For the 2012 Statement of Cash Flows – Proprietary Funds, the adjustments had no impact on the Increase(decrease) in cash and cash equivalents. For the 2012 Schedule of Revenue, Expenditures & Changes in Fund Balance-Budget and Actual-General Fund, the adjustment only impacted the original budget amount for one line item and it had no impact on the variance.

**Auditor of State's Conclusion:** Material misstatements were detected during the audit and audit adjustments were required to correctly present the financial statements. Paragraph 15 of AU Section 325 states, in part that identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control is an indicator of material weakness in internal control. Since the material misstatements were discovered during the audit process and not by the City's internal controls, in accordance with paragraph 15 of AU Section 325, a material weakness comment has been issued.

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# Dave Yost • 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  
SEPTEMBER 24, 2013**