

**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

***GENERAL PURPOSE
FINANCIAL STATEMENTS
(AUDITED)***

For The Year Ended
December 31, 2003

MR. DAVID HAMILTON, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Bellbrook
PO Box 285
Bellbrook, Ohio 45305

We have reviewed the *Independent Auditor's Report* of the City of Bellbrook, Greene County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

September 15, 2005

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**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Members of Council and Mayor
City of Bellbrook
P.O. Box 285
Bellbrook, OH 45305

We have audited the accompanying general purpose financial statements of the City of Bellbrook, Greene County, Ohio as of and for the year ended December 31, 2003. These general purpose financial statements are the responsibility of the City of Bellbrook's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to inadequacies in the City's fixed asset records, we were unable to obtain sufficient documentation to support the amounts reported as fixed assets in the General Fixed Asset Account Group and Proprietary Fund Type as of December 31, 2003 (stated at \$5,771,058, and \$10,324,579, respectively) or the amount of depreciation expense at December 31, 2003 (stated at \$639,667) reported in the Proprietary Fund Type. The City was unable to provide evidence supporting the cost of fixed assets acquired prior to January 1, 1998 and the City's records do not permit the application of other auditing procedures to corroborate these fixed assets.

In our opinion, except for the value of fixed assets in the General Fixed Asset Account Group and fixed assets and depreciation in the Proprietary Fund Type as noted above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Bellbrook, Greene County, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*, we have also issued our report dated March 18, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Trimble, Julian & Grube, Inc.
March 18, 2005

CITY OF BELLBROOK, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
<u>Assets and Other Debits</u>				
Assets:				
Equity in pooled cash and cash equivalents	\$ 225,148	\$ 88,086	\$ 505,760	\$ 630,274
Receivables (net of allowance for uncollectibles):				
Taxes	498,538	1,524,999	-	-
Accounts	26,089	32,513	-	245,116
Due from other governments	203,140	310,140	-	-
Special assessments	-	-	2,308	-
Advance to other funds	100,000	-	-	-
Materials and supplies inventory	-	23,365	-	83,667
Restricted assets:				
Cash with fiscal agent	-	20,853	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	10,324,579
Other Debits:				
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	\$ 1,052,915	\$ 1,999,956	\$ 508,068	\$ 11,283,636
<u>Liabilities, equity and other credits</u>				
Liabilities:				
Accounts payable	\$ 8,387	\$ 6,005	\$ -	\$ 6,972
Contracts payable	-	-	-	5,582
Accrued wages and benefits	15,966	45,988	-	17,998
Compensated absences payable	-	-	-	41,460
Due to other governments	1,255	12,947	-	11,143
Advance from other funds	-	100,000	-	-
Pension obligation payable	-	-	-	-
Deferred revenue	623,014	1,802,693	2,308	-
Accrued interest payable	-	-	-	35,300
Revenue bond payable	-	-	-	1,059,000
OWPC loans payable	-	-	-	312,500
Total liabilities	648,622	1,967,633	2,308	1,489,955
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed Capital	-	-	-	8,603,500
Retained earnings:				
Unreserved	-	-	-	1,190,181
Fund Balances:				
Reserved for encumbrances	52,111	13,666	-	-
Reserved for materials and supplies inventory	-	23,365	-	-
Reserved for advances	100,000	-	-	-
Reserved for restricted assets	-	20,853	-	-
Unreserved - undesignated (deficit)	252,182	(25,561)	505,760	-
Total equity and other credits	404,293	32,323	505,760	9,793,681
Total liabilities, equity and other credits	\$ 1,052,915	\$ 1,999,956	\$ 508,068	\$ 11,283,636

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	Agency	General Fixed Assets	
\$ 25,196	\$ -	\$ -	\$ 1,474,464
-	-	-	2,023,537
-	-	-	303,718
-	-	-	513,280
-	-	-	2,308
-	-	-	100,000
-	-	-	107,032
-	-	-	20,853
-	5,771,058	-	16,095,637
-	-	220,731	220,731
<u>\$ 25,196</u>	<u>\$ 5,771,058</u>	<u>\$ 220,731</u>	<u>\$ 20,861,560</u>
\$ 25,196	\$ -	\$ -	\$ 46,560
-	-	-	5,582
-	-	-	79,952
-	-	176,393	217,853
-	-	-	25,345
-	-	-	100,000
-	-	44,338	44,338
-	-	-	2,428,015
-	-	-	35,300
-	-	-	1,059,000
-	-	-	312,500
<u>25,196</u>	<u>-</u>	<u>220,731</u>	<u>4,354,445</u>
-	5,771,058	-	5,771,058
-	-	-	8,603,500
-	-	-	1,190,181
-	-	-	65,777
-	-	-	23,365
-	-	-	100,000
-	-	-	20,853
-	-	-	732,381
<u>-</u>	<u>5,771,058</u>	<u>-</u>	<u>16,507,115</u>
<u>\$ 25,196</u>	<u>\$ 5,771,058</u>	<u>\$ 220,731</u>	<u>\$ 20,861,560</u>

CITY OF BELLBROOK, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Property and other taxes	\$ 483,252	\$ 1,272,975	\$ -	\$ 1,756,227
Charges for services	16,855	116,630	-	133,485
Licenses, permits and fees	130,271	33,951	-	164,222
Fines and forfeitures	2,916	-	-	2,916
Special assessments	-	-	2,308	2,308
Intergovernmental	342,997	491,580	-	834,577
Investment income	16,411	44	-	16,455
Reimbursements	-	-	11,000	11,000
Other	20,967	30,708	-	51,675
Total revenues	1,013,669	1,945,888	13,308	2,972,865
Expenditures:				
Current operations:				
General government	342,836	809	126	343,771
Security of persons and property	135,302	1,628,190	-	1,763,492
Public health and welfare	609	-	-	609
Transportation	-	364,569	-	364,569
Community environment	38,491	-	-	38,491
Leisure time activity	12,908	290	-	13,198
Capital outlay	-	-	353,512	353,512
Total expenditures	530,146	1,993,858	353,638	2,877,642
Excess of revenues over (under) expenditures	483,523	(47,970)	(340,330)	95,223
Other financing sources (uses):				
Sale of fixed assets	929	8,000	-	8,929
Operating transfers in	-	180	600,000	600,180
Operating transfers out	(600,180)	-	-	(600,180)
Total other financing sources (uses)	(599,251)	8,180	600,000	8,929
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(115,728)	(39,790)	259,670	104,152
Fund balances, January 1	520,021	58,797	246,090	824,908
Increase in reserve for inventory	-	13,316	-	13,316
Fund balances, December 31	\$ 404,293	\$ 32,323	\$ 505,760	\$ 942,376

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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CITY OF BELLBROOK, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property and other taxes	\$ 462,051	\$ 476,260	\$ 14,209	\$ 1,249,756	\$ 1,296,023	\$ 46,267
Charges for services	15,000	16,655	1,655	108,200	116,135	7,935
Licenses, permits and fees	125,000	130,837	5,837	44,000	42,944	(1,056)
Special assessments	-	-	-	-	-	-
Intergovernmental	340,923	342,552	1,629	483,644	484,257	613
Investment income	25,000	16,411	(8,589)	-	59	59
Reimbursements.	-	-	-	-	-	-
Other.	30,000	21,027	(8,973)	63,500	29,657	(33,843)
Total revenues	997,974	1,003,742	5,768	1,949,100	1,969,075	19,975
Expenditures:						
Current:						
General government	442,864	378,710	64,154	3,000	809	2,191
Security of persons and property.	161,982	161,982	-	1,668,944	1,642,367	26,577
Public health and welfare	5,000	609	4,391	-	-	-
Transportation	5,000	-	5,000	373,621	362,979	10,642
Community environment.	45,777	38,244	7,533	-	-	-
Leisure time activity.	25,382	13,309	12,073	291	291	-
Capital outlay	-	-	-	-	-	-
Total expenditures	686,005	592,854	93,151	2,045,856	2,006,446	39,410
Excess of revenues over (under) expenditures.	311,969	410,888	98,919	(96,756)	(37,371)	59,385
Other financing sources (uses):						
Proceeds from sale of fixed assets.	-	929	929	8,000	8,000	-
Advances in	2,350	1,445	(905)	-	-	-
Advances out	-	-	-	-	-	-
Operating transfers in	-	-	-	100	180	80
Operating transfers out	(601,000)	(600,180)	820	-	-	-
Total other financing sources (uses)	(598,650)	(597,806)	844	8,100	8,180	80
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).	(286,681)	(186,918)	99,763	(88,656)	(29,191)	59,465
Fund balance, January 1	283,153	283,153	-	56,477	56,477	-
Prior year encumbrances appropriated	68,305	68,305	-	41,166	41,166	-
Fund balance, December 31.	\$ 64,777	\$ 164,540	\$ 99,763	\$ 8,987	\$ 68,452	\$ 59,465

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,711,807	\$ 1,772,283	\$ 60,476
-	-	-	123,200	132,790	9,590
-	-	-	169,000	173,781	4,781
2,308	2,308	-	2,308	2,308	-
-	-	-	824,567	826,809	2,242
-	-	-	25,000	16,470	(8,530)
11,000	11,000	-	11,000	11,000	-
-	-	-	93,500	50,684	(42,816)
13,308	13,308	-	2,960,382	2,986,125	25,743
-	-	-	445,864	379,519	66,345
-	-	-	1,830,926	1,804,349	26,577
-	-	-	5,000	609	4,391
-	-	-	378,621	362,979	15,642
-	-	-	45,777	38,244	7,533
-	-	-	25,673	13,600	12,073
482,142	353,638	128,504	482,142	353,638	128,504
482,142	353,638	128,504	3,214,003	2,952,938	261,065
(468,834)	(340,330)	128,504	(253,621)	33,187	286,808
-	-	-	8,000	8,929	929
-	-	-	2,350	1,445	(905)
(1,445)	(1,445)	-	(1,445)	(1,445)	-
624,000	600,000	(24,000)	624,100	600,180	(23,920)
-	-	-	(601,000)	(600,180)	820
622,555	598,555	(24,000)	32,005	8,929	(23,076)
153,721	258,225	104,504	(221,616)	42,116	263,732
91,448	91,448	-	431,078	431,078	-
156,087	156,087	-	265,558	265,558	-
\$ 401,256	\$ 505,760	\$ 104,504	\$ 475,020	\$ 738,752	\$ 263,732

CITY OF BELLBROOK, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$ 1,508,870
Tap in fees	172,800
Other	<u>6,411</u>
Total operating revenues	<u>1,688,081</u>
Operating expenses:	
Personal services	702,704
Contract services	510,170
Materials and supplies	119,358
Depreciation	639,667
Other	<u>3,651</u>
Total operating expenses	<u>1,975,550</u>
Operating loss	<u>(287,469)</u>
Nonoperating expenses:	
Loss on disposal of fixed assets	(43,380)
Interest expense and fiscal charges	<u>(58,112)</u>
Total nonoperating expenses	<u>(101,492)</u>
Loss before capital contributions	(388,961)
Capital contributions	<u>504,609</u>
Net income	115,648
Retained earnings, January 1	<u>1,074,533</u>
Retained earnings, December 31	<u>\$ 1,190,181</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF BELLBROOK, OHIO

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$ 1,695,411
Cash received from other operations	7,262
Cash payments for personal services	(715,545)
Cash payments for contract services	(535,037)
Cash payments for materials and supplies	(157,558)
Cash payments for other expenses	(3,651)
	290,882
Net cash provided by operating activities	290,882
Cash flows from capital and related financing activities:	
Principal retirement	(61,000)
Interest and fiscal charges	(54,750)
	(115,750)
Net cash used in capital and related financing activities	(115,750)
Net increase in cash and cash equivalents	175,132
Cash and cash equivalents at January 1.	455,142
Cash and cash equivalents at December 31	\$ 630,274
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (287,469)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	639,667
Changes in assets and liabilities:	
Decrease in accounts receivable	14,592
(Increase) in materials and supplies inventory.	(20,186)
(Decrease) in accounts payable	(48,466)
Increase in contracts payable.	5,582
(Decrease) in accrued wages and benefits	(23,586)
Increase in compensated absences payable.	101
Increase in due to other governments	10,647
	290,882
Net cash provided by operating activities	\$ 290,882
Supplemental Disclosure of Cash Flow Information:	
Non-cash capital and related financing activities:	
Received in exchange for a like-kind asset	
Fixed assets	\$ 504,609

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF THE CITY

The City of Bellbrook (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is a charter municipal corporation which incorporated on January 13, 1971, and a charter was adopted on November 2, 1971.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of fund or account groups, each of which is considered a separate account entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. The various funds are summarized by type in the GPFS.

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund accounts for the general operating revenues and expenditures of the City not recorded elsewhere.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Agency Fund - The agency fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. The agency fund has no measurement focus (i.e., assets equal liabilities), and is presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

General Fixed Assets Account Group - This account group is used to present the general fixed assets of the City utilized in its general operations, exclusive of those accounted for in the enterprise funds. General fixed assets include land, buildings, building improvements, computer equipment, vehicles, and furniture and equipment owned by the City.

General Long-Term Obligations Account Group - This account group is used to account for all long-term obligations of the City, except that accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and agency funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, licenses and permits, and fees for services.

DEFERRED REVENUE

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

D. Budgetary Data

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

TAX BUDGET

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

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

ESTIMATED RESOURCES

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

The amounts set forth as “revised budget” revenues and other financing sources in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent estimated revenues from the final amended certificate of resources issued during 2003.

APPROPRIATIONS

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

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2003.

Amounts shown as “revised budget” expenditures and other financing uses in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent the original appropriated budget and all supplemental appropriations approved by City Council during 2003.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City’s budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances for governmental funds since they do not constitute expenditures or liabilities.

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

E. 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 combined balance sheet.

During 2003, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2003, interest revenue in the general fund amounted to \$16,411 which includes \$12,894 assigned from other City funds.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with maturities greater than three months at the time of purchase are not reported as investments.

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

F. Materials and Supplies Inventory

Inventories for governmental funds are stated at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available spendable resources even though it is a component of net current assets.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. The City follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the City, (i.e., roads, bridges, etc.). No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group. The City has established a capitalization threshold of \$1,000 for general fixed assets.

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

2. *Proprietary Fund Fixed Assets*

Property, plant, and equipment (including water lines) acquired by the proprietary funds are stated at estimated historical cost. Estimated historical costs for water lines were derived by establishing a current cost for construction and indexing this cost back to the estimated date of original construction. Contributed fixed assets are recorded at their fair market value as of the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life (years)</u>
Buildings	50
Improvements other than buildings	10 - 15
Equipment	5 - 20
Vehicles	5 - 20
Sewer and water lines	50

The City also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt. The City has established a capitalization threshold of \$1,000 for proprietary fixed assets.

3. *Valuation*

General fixed asset values were initially determined at December 31, 1997 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. The estimated cost for certain fixed assets was arrived at by indexing estimated current costs back to the estimated year of acquisition.

H. Contributed Capital

Proprietary fund type contributed capital is recorded at fair market value of the related assets as the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary fund.

I. Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered, and (2) it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

A liability for sick leave is accrued based on guidelines set forth in GASB Statement No. 16, "Accounting for Compensated Absences." The termination payment method was implemented and states that the City's sick leave liability generally would be an estimate based on past experience of making termination payments for sick leave, adjusted for the effect of changes in its termination payment policy and other current factors. The amount is calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated by current employees as of the balance sheet date.

For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	Fund from which employees' salary is paid
Mortgage Revenue Bond Payable	Water Fund
OPWC Loan Payable	Water Fund

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. Intrafund transfers have been eliminated for GAAP reporting.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund balances, related to changes for goods and services rendered, are reflected as "due to/from other funds." The City had no due to/from other funds at December 31, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

L. Fund Balance Reserves

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

The City reports amounts representing encumbrances, material and supplies inventory, advances and restricted assets.

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 2003:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund</u>	
Police Fund	\$ 121,966

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

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the City into three categories:

Active Monies: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Inactive Monies: those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

In accordance with the Ohio Revised Code, public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of securities with a market value of at least 105% of the total uninsured amount of public monies on deposit at the institution.

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

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

Cash with Fiscal Agent: At year-end, the City had \$20,853 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, 2003. This amount is not included in the City's depository balance below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the City's deposits was \$(89,573) and the bank balance was \$4,371. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

Investments: The City's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

	<u>Category</u> <u>2</u>	<u>Fair</u> <u>Value</u>
Repurchase agreement	\$ 1,449,259	\$ 1,449,259
Investment in STAR Ohio	<u>-</u>	<u>114,778</u>
Total investments	<u>\$ 1,449,259</u>	<u>\$ 1,564,037</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and</u> <u>Cash Equivalents/</u> <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,495,317	\$ -
Cash with fiscal agent	(20,853)	-
Investments of the cash management pool:		
Investment in STAR Ohio	(114,778)	114,778
Repurchase agreement	<u>(1,449,259)</u>	<u>1,449,259</u>
GASB Statement No. 3	<u>\$ (89,573)</u>	<u>\$ 1,564,037</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the City's operating transfers for 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 600,180
<u>Special Revenue Fund</u>		
Fuel System Fund	<u>180</u>	<u>-</u>
Total special revenue fund	<u>180</u>	<u>-</u>
<u>Capital Projects Fund</u>		
Capital Improvements Fund	<u>600,000</u>	<u>-</u>
Total capital projects fund	<u>600,000</u>	<u>-</u>
Totals	<u>\$ 600,180</u>	<u>\$ 600,180</u>

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a reconciliation of the City's long-term advances outstanding at December 31, 2003:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 100,000	\$ -
<u>Special Revenue Fund</u>		
Police	-	100,000
Total	\$ 100,000	\$ 100,000

NOTE 6 - PROPERTY TAXES

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

Taxpayers (other than public utilities) become liable for tangible personal property taxes on January 1st of the current calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-City taxpayers are due September 20. Single City taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law personal property taxes do not attach as a lien on the personal property.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the City, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The full tax rate for all City operations for the year ended December 31, 2003 was \$17.50 per \$1,000 of assessed value. The assessed value upon which the 2003 collection was based was \$138,776,244. This amount constitutes \$133,033,960 in real property assessed value, \$3,592,750 in public utility assessed value and \$2,149,534 in tangible personal property assessed value.

CITY OF BELLBROOK

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - PROPERTY TAXES – (Continued)

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2003 was based on a tax rate equal to 1.750% (17.50 mills) of assessed value.

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2003. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations. Accordingly, the receivable is offset by a credit to “Deferred Revenue.”

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, special assessments, accounts (billings for user charged services), advances to other funds and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “Due From Other Governments” on the combined balance sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable.

A summary of the items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Real and other taxes	\$ 498,538
Accounts	26,089
Due from other governments	203,140
Advances to other funds	100,000
<u>Special Revenue Funds</u>	
Real and other taxes	1,524,999
Accounts	32,513
Due from other governments	310,140
<u>Capital Projects Funds</u>	
Special assessments	2,308
<u>Enterprise Funds</u>	
Accounts	245,116

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - FIXED ASSETS

A. Proprietary Fixed Assets

A summary of the proprietary fixed assets at December 31, 2003 follows:

Land	\$ 383,096
Buildings and improvements	2,473,477
Utility structures in service	12,212,830
Machinery and equipment	<u>443,872</u>
Total fixed assets	15,513,275
Less: accumulated depreciation	<u>(5,188,696)</u>
Total net proprietary fixed assets	<u>\$ 10,324,579</u>

B. General Fixed Assets

A summary of the changes in general fixed assets during 2003 follows:

	<u>Balance</u> <u>1/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
Land	\$ 369,451	\$ -	\$ -	\$ 369,451
Buildings and improvements	2,971,411	83,729	(5,000)	3,050,140
Improvements other than buildings	144,168	-	-	144,168
Equipment	642,140	37,790	(35,733)	644,197
Vehicles	<u>1,384,833</u>	<u>252,755</u>	<u>(74,486)</u>	<u>1,563,102</u>
Total general fixed assets	<u>\$ 5,512,003</u>	<u>\$ 374,274</u>	<u>\$ (115,219)</u>	<u>\$ 5,771,058</u>

NOTE 9 - COMPENSATED ABSENCES

The City provides a liability for accumulated unpaid vacation and sick leave benefits when earned by employees.

All full-time City employees earn sick leave at the rate of 4.6 hours per pay, up to a limit of 120 days. Upon qualifying to retire under the Public Employees Retirement System, an employee who has unused accumulated sick leave of 75 days or more is eligible to be paid for these days up to a maximum of 45 days. An employee resigning can be paid for up to 20 days of accumulated sick leave. Police and fire employees retiring under the Ohio Police and Fire Pension Fund may receive one day paid for every three days accumulated up a maximum of 40 days. The total obligations for sick leave accrual for the City as a whole as of December 31, 2003 was \$71,724.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$104,669 at December 31, 2003.

Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. During 2003, the amount increased \$7,501 from a beginning year balance of \$168,892 to a year end balance of \$176,393.

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

Long-term debt and other long-term obligations of the City at December 31, 2003 were as follows:

	<u>Balance</u> <u>12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
Enterprise Funds:				
Revenue Bond:				
1982 5.00% Waterworks System	\$ 1,095,000	\$ -	\$ (36,000)	\$ 1,059,000
Ohio Public Works Commission Loan:				
1995 0.00% Elevated Water Storage Tank	<u>337,500</u>	<u>-</u>	<u>(25,000)</u>	<u>312,500</u>
Total Enterprise Long-Term Debt	<u>1,432,500</u>	<u>-</u>	<u>(61,000)</u>	<u>1,371,500</u>
General Long-Term Debt and Other Long-Term Obligations:				
Compensated absences	168,892	7,501	-	176,393
Pension obligation payable	<u>55,083</u>	<u>44,338</u>	<u>(55,083)</u>	<u>44,338</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$ 223,975</u>	<u>\$ 51,839</u>	<u>\$ (55,083)</u>	<u>\$ 220,731</u>

Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. The benefits will be paid from the fund from which the employee is paid.

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2003, follows:

Year Ending December 31,	<u>Revenue Bond</u>			<u>OPWC Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 38,000	\$ 52,950	\$ 90,950	\$ 25,000	\$ -	\$ 25,000
2005	40,000	51,050	91,050	25,000	-	25,000
2006	41,000	49,050	90,050	25,000	-	25,000
2007	44,000	47,000	91,000	25,000	-	25,000
2008	46,000	44,800	90,800	25,000	-	25,000
2009 - 2013	265,000	187,300	452,300	125,000	-	125,000
2014 - 2018	338,000	114,100	452,100	62,500	-	62,500
2019 - 2021	<u>247,000</u>	<u>25,150</u>	<u>272,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,059,000</u>	<u>\$ 571,400</u>	<u>\$ 1,630,400</u>	<u>\$ 312,500</u>	<u>\$ -</u>	<u>\$ 312,500</u>

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2003, the City's total debt margin was \$14,259,006 and the unvoted debt margin was \$7,320,193.

NOTE 11 - CONTRIBUTED CAPITAL

During 2003, there were no changes to contributed capital reported by the City:

	<u>Water</u>
Balance at End of Year	\$ 8,603,500

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. These enterprise funds include waste collection and water utilities. Segment information for the year ended December 31, 2003 was as follows:

	<u>Waste Collection Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 325,647	\$ 1,362,434	\$ 1,688,081
Operating expenses before depreciation	342,854	993,029	1,335,883
Depreciation expense	-	639,667	639,667
Operating loss	(17,207)	(270,262)	(287,469)
Additions to property, plant and equipment	-	451,237	451,237
Net working capital	27,888	889,474	917,362
Total assets	27,888	11,255,748	11,283,636
Long-term liabilities payable from operating revenues	-	1,406,800	1,406,800
Total equity	27,888	9,765,793	9,793,681
Encumbrances 12/31/03	-	16,416	16,416

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1999, the City joined the Ohio Government Risk Management Plan (OGRMP), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 550 member political subdivisions. The City pays an annual premium to OGRMP for its general insurance coverage. The agreement for formation of OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property Insurance	\$6,830,637	\$1,000
General Liability	\$5/7,000,000	\$0
Police Liability	\$5/7,000,000	\$2,500
Wrongful Acts	\$5/7,000,000	\$2,500
Crime	\$2,500	\$0
Inland Marine	\$606,968	\$1,000
Fire Vehicle	\$1,093,630	\$250/\$250
Automobile	\$5,000,000	\$250/\$250
Electronic Data and Equipment	\$270,785	\$1,000
Bond	\$25,000	\$0

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

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2003. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2003. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$128,844, \$119,177, and \$112,704, respectively; 89% has been contributed for 2003 and 100% has been contributed for 2002 and 2001. \$13,666 representing the unpaid contributions for 2003, is recorded as a liability within the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2003, 2002, and 2001 were \$180,178, \$155,700, and \$142,312, respectively; 83% has been contributed for 2003 and 100% for the years 2002 and 2001. \$30,672, representing the unpaid contributions for 2003, is recorded as a liability in the general long-term obligations account group.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$47,501.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2003 the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively, at December 31, 2003. The number of benefit recipients eligible for OPEB at December 31, 2003 was 369,885.

In December 2002, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

CITY OF BELLBROOK

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2003 is 13,662 for police officers and 10,474 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$49,353 and \$18,083, respectively. OP&F's total health care expense for the year ending December 31, 2003 was \$150.853 million, which was net of member contributions of \$17.208 million.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The City's budgetary process is based upon accounting for transactions on a cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the City reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$ (186,918)	\$ (29,191)	\$ 258,225
Adjustments:			
Net adjustment for revenue accruals	9,927	(23,187)	-
Net adjustment for expenditure accruals	2,100	(7,046)	-
Net adjustment for other financing sources/(uses) accruals	(1,445)	-	1,445
Encumbrances	<u>60,608</u>	<u>19,634</u>	<u>-</u>
GAAP basis	<u>\$ (115,728)</u>	<u>\$ (39,790)</u>	<u>\$ 259,670</u>

NOTE 17 - 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, 2003.

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.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

Members of Council and Mayor
City of Bellbrook
PO Box 285
Bellbrook, OH 45305

We have audited the general purpose financial statements of the City of Bellbrook, as of and for the year ended December 31, 2003, and have issued our report thereon dated March 18, 2005, which was qualified due to a lack of sufficient evidence to support the amounts prior to January 1, 1998 reported as fixed assets in the General Fixed Asset Account Group and Proprietary Fund Type and depreciation expense in the Proprietary Fund Type. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-COB-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-COB-001 to be a material weakness.

Members of Council and Mayor
City of Bellbrook

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellbrook's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
March 18, 2005

**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

Finding Number	2003-COB-001
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The City of Bellbrook, in preparation of its general purpose financial statements, determined the value to be reported for fixed assets, by having each department head prepare a list of fixed assets and estimate the cost of the asset when purchased.

The National Council on Governmental Accounting Statement 1, requires fixed assets to be recorded at cost. When cost is not readily ascertainable from source documentation (i.e., an invoice) an estimate of the original cost of such assets on the basis of such documentary evidence as may be available, including price levels at the time of acquisition is acceptable.

The City does not have documentation supporting the recorded value of its fixed assets or documentation supporting the methodology used in estimating the value of its fixed assets prior to January 1, 1998. The lack of such documentation results in an indeterminable historical cost value.

To remedy this finding the City should consider the following corrective actions:

- determine the historical cost of fixed assets by reviewing historical records and determining the actual cost of the assets;
- estimate the historical cost of fixed assets by determining their current cost and discounting that back to the year of acquisition through the use of the consumer price index; or
- hire an appraisal firm to perform an inventory of the City's fixed assets and compute the estimated historical cost of these assets.

**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-COB-001	The City of Bellbrook, in preparation of its general purpose financial statements, determined the value to be reported for fixed assets, by having each department head prepare a list of fixed assets and estimate the cost of the asset when purchased.	No	Corrected in 2004. The City had a complete valuation in 2004 in connection with implementation of GASB 34.



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Betty Montgomery**

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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 27, 2005**