



Dave Yost • Auditor of State



CITY OF BELLBROOK  
GREENE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bellbrook, Greene County, Ohio, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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, 2011. 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 2011 are as follows:

- The total net assets of the City increased \$811,209 or 3.78%. Net assets of governmental activities increased \$505,250 or 5.60% over 2010 and net assets of business-type activities increased \$305,959 or 2.46% over 2010.
- Unrestricted net assets of the City increased \$223,886 or 9.12%. Unrestricted net assets of governmental activities increased \$118,106 or 9.57% and unrestricted net assets of business-type activities increased \$105,780 or 8.67%.
- Total revenues decreased \$983,693 or -12.76%. Revenues of governmental activities decreased \$299,939 or -6.31% and revenues of business-type activities decreased \$683,754 or -23.17%.
- Total expenses decreased \$191,128 or -3.13%. Expenses of governmental activities decreased \$207,618 or -4.99% and expenses of business-type activities increased \$16,490 or 0.85%.
- As of December 31, 2011 the City's governmental funds report combined ending fund balances of \$3.21 million. Approximately 38% or \$1.21 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 assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**Reporting the City as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

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

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

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

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

The City's statement of net assets 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, 2011  
(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-HJ of this report.

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2011 compared to 2010.

	<b>Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Assets:</b>						
Current and other assets	\$6,551,772	\$6,643,787	\$ 1,586,932	\$1,509,522	\$ 8,138,704	\$ 8,153,309
Capital assets	5,950,741	5,369,117	13,361,910	12,511,433	19,312,651	17,880,550
Total assets	<u>12,502,513</u>	<u>12,012,904</u>	<u>14,948,842</u>	<u>14,020,955</u>	<u>27,451,355</u>	<u>26,033,859</u>
<b>Liabilities:</b>						
Long-term liabilities	194,248	191,999	1,993,249	1,335,693	2,187,497	1,527,692
Other liabilities	2,778,186	2,796,076	204,122	239,750	2,982,308	3,035,826
Total liabilities	<u>2,972,434</u>	<u>2,988,075</u>	<u>2,197,371</u>	<u>1,575,443</u>	<u>5,169,805</u>	<u>4,563,518</u>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	5,950,741	5,369,117	11,425,730	11,225,551	17,376,471	16,594,668
Restricted	2,226,659	2,421,139			2,226,659	2,421,139
Unrestricted	1,352,679	1,234,573	1,325,741	1,219,961	2,678,420	2,454,534
Total net assets	<u>\$9,530,079</u>	<u>\$9,024,829</u>	<u>\$12,751,471</u>	<u>\$12,445,512</u>	<u>\$22,281,550</u>	<u>\$21,470,341</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$22,281,550. At year-end, net assets were \$9,530,079 and \$12,751,471 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets, net of related debt, represented 77.99% of total net assets. Capital assets include land, land improvements, buildings and improvements, vehicles, utility structures in service, machinery and equipment and infrastructure. Net invested in capital assets, net of related debt, at December 31, 2011, was \$5,950,741 and \$11,425,730 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,226,659, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,352,679 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net assets for fiscal year 2011 compared to 2010.

	<b>Changes in Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 167,837	\$ 166,856	\$2,106,887	\$2,117,213	\$2,274,724	\$2,284,069
Operating grants and contributions	427,275	437,055			427,275	437,055
Capital grants and contributions	462,366	486,913	160,800	834,228	623,166	1,321,141
<b>General revenues:</b>						
Property taxes	2,594,631	2,594,779			2,594,631	2,594,779
Estate taxes	20,737	233,683			20,737	233,683
Grants and other contributions not restricted to specific programs	710,125	752,395			710,125	752,395
Investment earnings	9,658	8,860			9,658	8,860
Miscellaneous	63,510	75,537			63,510	75,537
Total revenues	<u>4,456,139</u>	<u>4,756,078</u>	<u>2,267,687</u>	<u>2,951,441</u>	<u>6,723,826</u>	<u>7,707,519</u>
<b>Expenses:</b>						
General government	490,103	674,306			490,103	674,306
Public safety	2,751,013	2,768,661			2,751,013	2,768,661
Community environment	88,307	78,790			88,307	78,790
Recreation	14,789	14,755			14,789	14,755
Transportation	606,677	621,995			606,677	621,995
Waste collection			482,520	481,826	482,520	481,826
Water			1,479,208	1,463,412	1,479,208	1,463,412
Total expenses	<u>3,950,889</u>	<u>4,158,507</u>	<u>1,961,728</u>	<u>1,945,238</u>	<u>5,912,617</u>	<u>6,103,745</u>
Change in net assets	<u>\$ 505,250</u>	<u>\$ 597,571</u>	<u>\$ 305,959</u>	<u>\$1,006,203</u>	<u>\$811,209</u>	<u>\$1,603,774</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

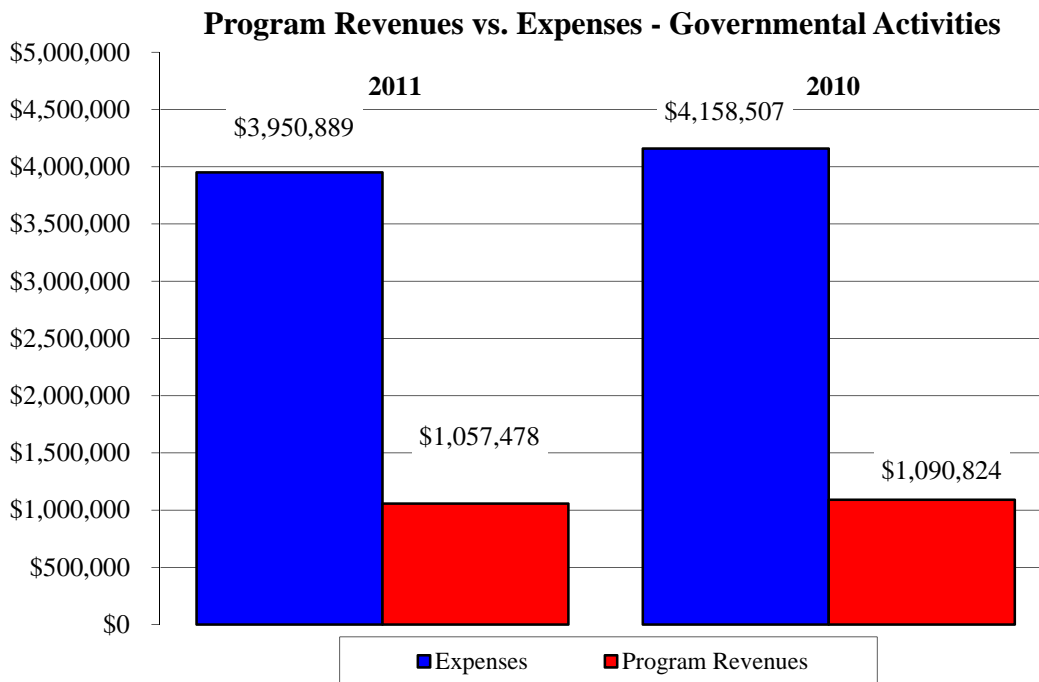
**Governmental Activities**

Governmental activities net assets increased \$505,250 in 2011. Public safety which primarily supports the operations of the police and fire department accounted for \$2,751,013 or 69.63% of the total governmental activity expenses of the City. Public safety expenses were partially funded by \$126,661 in direct charges to users of the services. General government expenses totaled \$490,103. General government expenses were partially funded by \$37,124 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$427,275 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$406,519 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,398,661, and amounted to 76.27% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,594,631. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$710,125.

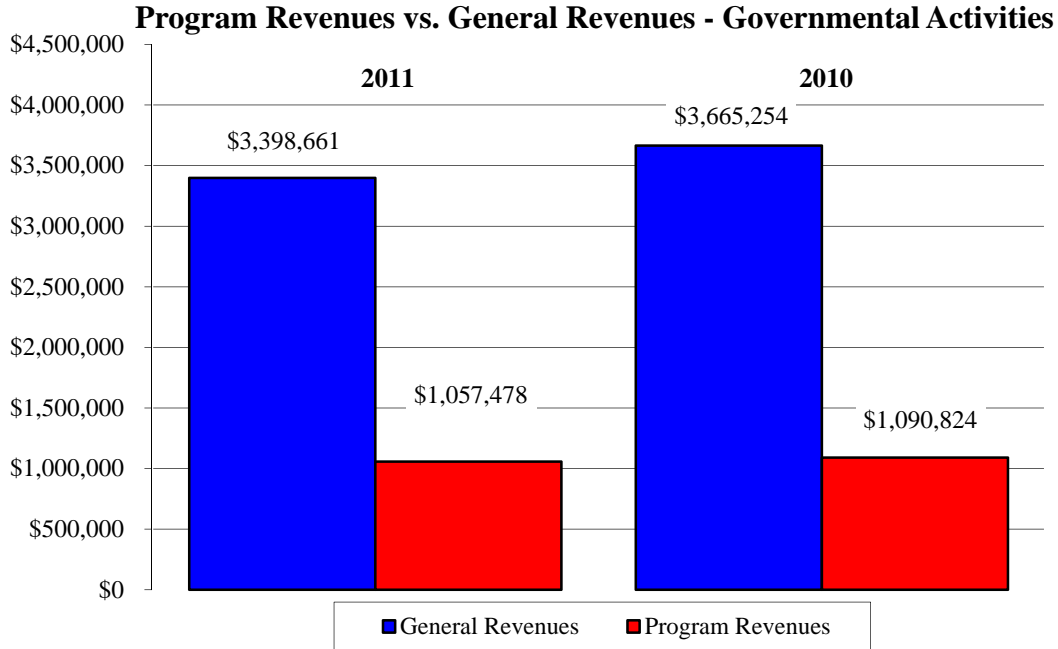
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total expenses and program revenues. The difference identifies the cost of these services supported by tax revenue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



**CITY OF BELLBROOK  
GREENE COUNTY**

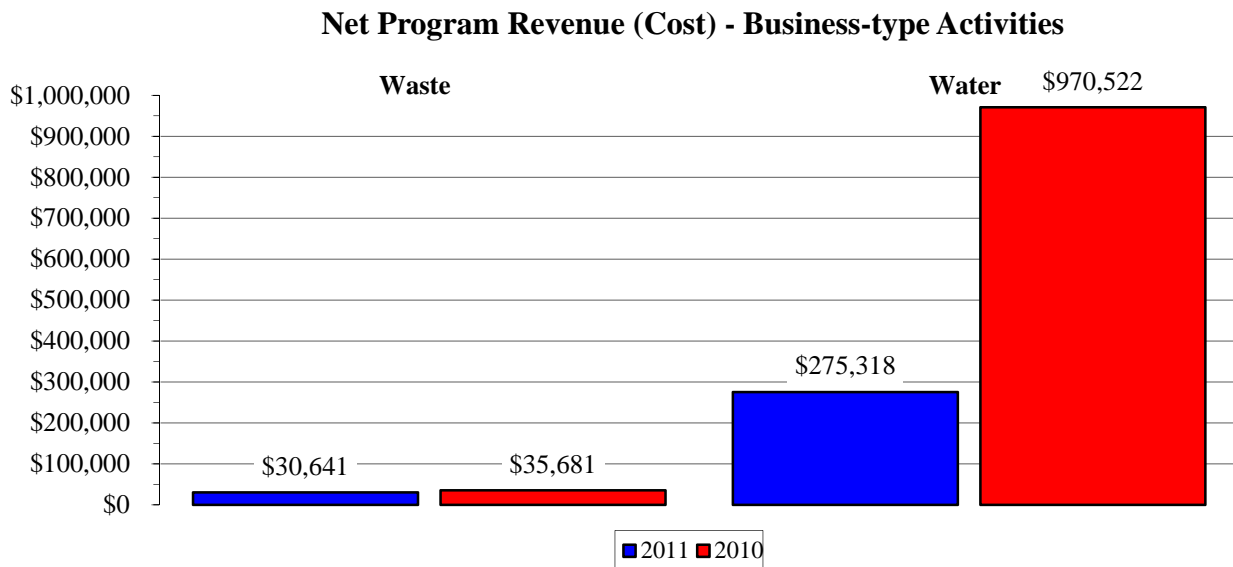
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

The dependence upon general revenues for governmental activities is apparent, with 73.23% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2011 and 2010.



**Business-type Activities**

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,267,687 and expenses of \$1,961,728 for 2011. The graph below shows the net program revenue (cost) for each business-type activity:



**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 pages 15-16) reported a combined fund balance of \$3,207,161 which is \$127,805 above last year's total of \$3,079,356. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and non-major governmental funds.

	<b>Fund Balance 12/31/11</b>	<b>Fund Balance 12/31/10</b>	<b>Increase (Decrease)</b>
<b>Major Funds:</b>			
General	\$1,226,077	\$ 870,088	\$355,989
Street	150,705	150,221	484
Police	13,971	27,358	(13,387)
Fire	101,787	100,674	1,113
Capital improvement	1,620,985	1,815,829	(194,844)
Other non-major governmental funds	93,636	115,186	(21,550)
<b>Total</b>	<b>\$3,207,161</b>	<b>\$3,079,356</b>	<b>\$127,805</b>

The City's **general fund** balance increased \$355,989. The table that follows assists in illustrating the revenues of the general fund.

	<b>2011 Amount</b>	<b>2010 Amount</b>	<b>Percentage Change</b>
<b>General Fund Revenues:</b>			
Local taxes	\$ 597,698	\$ 588,035	1.64%
Intergovernmental	525,606	305,363	72.12%
Special assessments	4,517	525	760.38%
Charges for services	31,946	31,452	1.57%
Fines, licenses & permits	143,902	145,311	(0.97)%
Investment income	9,647	8,833	9.22%
Miscellaneous receipts	4,271	3,568	19.70%
<b>Total</b>	<b>\$1,317,587</b>	<b>\$1,083,087</b>	<b>21.65%</b>

During 2011 the City increased general fund revenues by 21.65%. The 72.12% increase in intergovernmental was due to higher than normal estate tax collections.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

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

	<b>2011 Amount</b>	<b>2010 Amount</b>	<b>Percentage Change</b>
<b>General Fund Expenditures:</b>			
General government	\$400,175	\$ 439,633	(8.98)%
Public safety	11,207	14,441	(22.39)%
Community environment	85,808	80,889	6.08%
Recreation	14,408	14,755	(2.35)%
<b>Other financing uses:</b>			
Transfers out	450,000	650,000	(30.77)%
<b>Total</b>	<b>\$961,598</b>	<b>\$1,199,718</b>	<b>(19.85)%</b>

During 2011 the City decreased total expenditures and other financing uses by 19.85%. The largest expenditure category, general government, decreased 8.97% due primarily to the reduction of personnel costs. Transfers out decreased due to a reduction in transfers to the capital improvements fund in 2011.

The **street fund** had revenues of \$304,305 in 2011. The expenditures of the street fund, totaled \$303,821 in 2011. The net increase in fund balance for the street fund was 484 or 0.32%.

The **police fund** had revenues and other financing sources of \$1,560,114 in 2011. The expenditures of the police fund totaled \$1,573,501 in 2011. The net decrease in fund balance for the police fund was \$13,387 or -48.93%. The decrease can be attributed increased operational costs in the police fund with no corresponding increase in revenue. This planned decrease in fund balance will require an additional revenue in future years.

The **fire fund** had revenues and other financing sources of \$1,006,791 in 2011. The expenditures of the fire fund totaled \$1,005,678 in 2011. The net increase in fund balance for the fire fund was \$1,113 or 1.11%.

The **capital improvement fund** had revenues other financing sources of \$333,030 in 2011. The expenditures of the capital improvement fund totaled \$527,874 in 2011. The net decrease in fund balance for the capital improvement fund was \$194,844 or 10.73%. 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 2011. Actual expenditures were \$141,896 less than the final appropriations. In addition, actual revenues exceeded budgetary estimates by \$4,778. Actual results in the general fund were very close to budgetary projections for 2011.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2011, the City had \$19,312,651 (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, \$5,950,741 was reported in governmental activities and \$13,361,910 was reported in business-type activities. Further details regarding the City's capital assets can be found in Note 5 to the Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

Significant capital activity for the year included:

- \$153,656 in additional street improvements.
- \$2,513,417 additional buildings and improvements for the improvements to the City's water treatment plant.

***Debt Administration***

The City had the following long-term debt outstanding at December 31, 2011 and 2010:

	<b>Business-type Activities</b>	
	<b>2011</b>	<b>2010</b>
Revenue bonds	\$ 699,000	\$ 752,000
OPWC loans	1,237,180	533,882
Total	<u>\$1,936,180</u>	<u>\$1,285,882</u>

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

**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 2011, there were two active housing developments underway. New single-family housing permits increased slightly in 2011. The current economic conditions and the mortgage market problems continue to have a negative effect on the housing market. The only bright spot in the housing market is that the base realignment and closure (BRAC) activity at Wright Patterson Air Force Base will generate more jobs and bring new employees to the area. The Bellbrook area housing is very convenient to Base employees.

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.

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 ASSETS  
DECEMBER 31, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Pooled cash and investments	\$3,230,758	\$1,155,031	\$4,385,789
Cash and cash equivalents with fiscal agents	77,628		77,628
<b>Receivables (net):</b>			
Taxes	2,629,694		2,629,694
Accounts	86,054	334,023	420,077
Intergovernmental	445,975		445,975
Interest	2,209		2,209
Special assessments	2,024	4,178	6,202
Inventory	54,221	77,919	132,140
Prepaid items	23,209	15,781	38,990
<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	5,688,511	12,757,540	18,446,051
Total assets	<u>12,502,513</u>	<u>14,948,842</u>	<u>27,451,355</u>
<b>Liabilities:</b>			
Accounts payable	10,385	57,324	67,709
Accrued liabilities	184,258	78,569	262,827
Due to other governments	123,964	17,184	141,148
Unearned revenue	2,459,579	27,745	2,487,324
Accrued interest payable		23,300	23,300
<b>Non-current liabilities:</b>			
Due within one year	96,788	123,892	220,680
Due in more than one year	97,460	1,869,357	1,966,817
Total liabilities	<u>2,972,434</u>	<u>2,197,371</u>	<u>5,169,805</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	5,950,741	11,425,730	17,376,471
<b>Restricted for:</b>			
Capital improvement	1,620,985		1,620,985
Public safety	258,838		258,838
Streets & highways	346,640		346,640
Other purposes	196		196
Unrestricted	1,352,679	1,325,741	2,678,420
Total net assets	<u>9,530,079</u>	<u>12,751,471</u>	<u>22,281,550</u>
Total liabilities and net assets	<u>\$12,502,513</u>	<u>\$14,948,842</u>	<u>\$27,451,355</u>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
General government	\$490,103	\$37,124			(\$452,979)	(\$452,979)
Public safety	2,751,013	126,661	\$20,756	\$6,481	(2,597,115)	(2,597,115)
Community environment	88,307	4,052			(84,255)	(84,255)
Recreation	14,789				(14,789)	(14,789)
Transportation	606,677		406,519	455,885	255,727	255,727
<b>Total governmental activities</b>	<b>3,950,889</b>	<b>167,837</b>	<b>427,275</b>	<b>462,366</b>	<b>(2,893,411)</b>	<b>(2,893,411)</b>
<b>Business-type activities:</b>						
Waste collection	482,520	513,161			\$30,641	30,641
Water	1,479,208	1,593,726		160,800	275,318	275,318
<b>Total business-type activities</b>	<b>1,961,728</b>	<b>2,106,887</b>		<b>160,800</b>	<b>305,959</b>	<b>305,959</b>
<b>Total</b>	<b>\$5,912,617</b>	<b>\$2,274,724</b>	<b>\$427,275</b>	<b>\$623,166</b>	<b>(2,893,411)</b>	<b>305,959</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes					2,594,631	2,594,631
Estate taxes					20,737	20,737
Grants and contributions not restricted to specific programs					710,125	710,125
Investment earnings					9,658	9,658
Miscellaneous					63,510	63,510
<b>Total general revenues and transfers</b>					<b>3,398,661</b>	<b>3,398,661</b>
Change in net assets					505,250	305,959
Net assets - beginning					9,024,829	12,445,512
Net assets - ending					<b>\$9,530,079</b>	<b>\$12,751,471</b>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<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>Assets:</b>							
Pooled cash and investments	\$1,191,384	\$105,253	\$158,066	\$167,251	\$1,543,357	\$65,447	\$3,230,758
<b>Receivables (net):</b>							
Taxes	599,239		1,226,306	757,781		46,368	2,629,694
Accounts	31,754			54,300			86,054
Intergovernmental	103,459	143,555	100,910	55,838		42,213	445,975
Interest	2,209						2,209
Special assessments	2,024						2,024
Inventory		24,077	12,441	1,785		15,918	54,221
Prepaid items	1,099	3,443	14,258	4,409			23,209
<b>Restricted assets:</b>							
Cash and cash equivalents with fiscal agent					77,628		77,628
<b>Total assets</b>	<u>1,931,168</u>	<u>276,328</u>	<u>1,511,981</u>	<u>1,041,364</u>	<u>1,620,985</u>	<u>169,946</u>	<u>6,551,772</u>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable	8,199		1,010	1,111		65	10,385
Accrued liabilities	13,751	25,022	101,284	44,201			184,258
Due to other governments	6,197	4,722	70,995	42,050			123,964
Deferred revenue	676,944	95,879	1,324,721	852,215		76,245	3,026,004
<b>Total liabilities</b>	<u>705,091</u>	<u>125,623</u>	<u>1,498,010</u>	<u>939,577</u>		<u>76,310</u>	<u>3,344,611</u>
<b>Fund Balances:</b>							
Nonspendable: Inventory and prepaids	1,099	27,520	26,699	6,194		15,918	77,430
<b>Restricted for:</b>							
Public safety				95,593		2,416	98,009
Transportation		123,185			77,628	75,106	275,919
<b>Committed to:</b>							
Transportation						196	196
<b>Assigned to:</b>							
Public safety					337,896		337,896
Transportation					7,650		7,650
Other capital projects					1,197,811		1,197,811
Unassigned	1,224,978		(12,728)				1,212,250
<b>Total fund balances</b>	<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>
<b>Total liabilities and fund balances</b>	<u>\$1,931,168</u>	<u>\$276,328</u>	<u>\$1,511,981</u>	<u>\$1,041,364</u>	<u>\$1,620,985</u>	<u>\$169,946</u>	<u>\$6,551,772</u>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**RECONCILIATION OF TOTAL  
GOVERNMENTAL FUND BALANCES TO NET  
ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011**

Total governmental fund balances	\$3,207,161
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,950,741
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property taxes receivable	143,694
Accounts receivable	38,596
Intergovernmental receivable	382,111
Special assessment receivable	2,024
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:	
Compensated absences	<u>(194,248)</u>
Net assets of governmental activities	<u><u>\$9,530,079</u></u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$597,698		\$1,200,263	\$743,965		\$46,267	\$2,588,193
Intergovernmental revenues	525,606	\$292,186	205,223	118,598	\$45,187	87,518	1,274,318
Special assessments	4,517						4,517
Charges for services	31,946			93,450			125,396
Fines, licenses and permits	143,902		1,453				145,355
Investment income	9,647						9,647
Miscellaneous receipts	4,271	12,119	3,175	778	37,843	672	58,858
Total revenues	<u>1,317,587</u>	<u>304,305</u>	<u>1,410,114</u>	<u>956,791</u>	<u>83,030</u>	<u>134,457</u>	<u>4,206,284</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	400,175					1,214	401,389
Public safety	11,207		1,573,501	1,005,678		52,800	2,643,186
Community environment	85,808						85,808
Recreation	14,408					381	14,789
Transportation		303,821				101,612	405,433
Capital outlay					527,874		527,874
Total expenditures	<u>511,598</u>	<u>303,821</u>	<u>1,573,501</u>	<u>1,005,678</u>	<u>527,874</u>	<u>156,007</u>	<u>4,078,479</u>
Excess (deficiency) of revenues over (under) expenditures	805,989	484	(163,387)	(48,887)	(444,844)	(21,550)	127,805
<b>Other Financing Sources (Uses):</b>							
Transfers in			150,000	50,000	250,000		450,000
Transfers out	(450,000)						(450,000)
Total other financing sources (uses)	<u>(450,000)</u>		<u>150,000</u>	<u>50,000</u>	<u>250,000</u>		
Net change in fund balances	355,989	484	(13,387)	1,113	(194,844)	(21,550)	127,805
Fund balances, beginning of year	870,088	150,221	27,358	100,674	1,815,829	115,186	3,079,356
Fund balances, end 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>

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 STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds	\$127,805
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	946,924
Current year depreciation	(344,550)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins and donations) is to decrease net assets.	
	(20,750)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	6,438
Charges for services	17,345
Intergovernmental revenue	(227,622)
Special assessments	1,909
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.	
	<u>(2,249)</u>
Change in net assets of governmental activities	<u><u>\$505,250</u></u>

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Totals</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Pooled cash and investments	\$258,066	\$896,965	\$1,155,031
Receivables (net):			
Accounts	1,734	332,289	334,023
Special assessments		4,178	4,178
Inventory		77,919	77,919
Prepaid items	186	15,595	15,781
Total current assets	259,986	1,326,946	1,586,932
<b>Non-current assets:</b>			
<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)	51,245	12,706,295	12,757,540
Total non-current assets	51,245	13,310,665	13,361,910
 Total assets	 311,231	 14,637,611	 14,948,842
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	36,539	20,785	57,324
Accrued liabilities	3,062	75,507	78,569
Compensated absences	1,321	41,571	42,892
Due to other governments	246	16,938	17,184
Current portion of OPWC loans		25,000	25,000
Current portion of revenue bonds		56,000	56,000
Accrued interest payable		23,300	23,300
Deferred revenue	27,745		27,745
Total current liabilities	68,913	259,101	328,014
<b>Non-current liabilities:</b>			
Revenue bonds		643,000	643,000
OPWC loans		1,212,180	1,212,180
Compensated absences	2,120	12,057	14,177
Total non-current liabilities	2,120	1,867,237	1,869,357
 Total liabilities	 71,033	 2,126,338	 2,197,371
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	51,245	11,374,485	11,425,730
Unrestricted	188,953	1,136,788	1,325,741
Total net assets	240,198	12,511,273	12,751,471
 Total liabilities and net assets	 \$311,231	 \$14,637,611	 \$14,948,842

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for services	\$511,440	\$1,582,476	\$2,093,916
Other revenue	1,721	11,250	12,971
Total operating revenues	513,161	1,593,726	2,106,887
<b>Operating Expenses:</b>			
Personal services	28,591	802,833	831,424
Purchased services	440,053	214,086	654,139
Supplies and materials		112,868	112,868
Other expenses	2,629	5,026	7,655
Depreciation	11,247	308,562	319,809
Total operating expenses	482,520	1,443,375	1,925,895
Operating income (loss)	30,641	150,351	180,992
<b>Non-Operating Revenues (Expenses):</b>			
Interest expense		(35,833)	(35,833)
Total no-noperating revenues (expenses)		(35,833)	(35,833)
Income (loss) before contributions	30,641	114,518	145,159
Capital contributions		160,800	160,800
Change in net assets	30,641	275,318	305,959
Total net assets - beginning of year	209,557	12,235,955	12,445,512
Total net assets - end of year	\$240,198	\$12,511,273	\$12,751,471

*See Notes to the Basic Financial Statements.*



**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-type Activities</u>		
	<u>Waste Collection</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$518,681	\$1,610,360	\$2,129,041
Cash paid to employees	(28,537)	(794,956)	(823,493)
Cash paid to suppliers of goods and services	(442,478)	(391,585)	(834,063)
Other receipts	1,721	11,250	12,971
Net cash provided (used) by operating activities	<u>49,387</u>	<u>435,069</u>	<u>484,456</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets		(1,030,236)	(1,030,236)
Proceeds from sale of capital assets		20,750	20,750
Proceeds from OPWC loans		728,298	728,298
Principal retirement on revenue bonds		(53,000)	(53,000)
Principal retirement on OPWC loans		(25,000)	(25,000)
Interest and fiscal charges		(37,600)	(37,600)
Net cash provided (used) by capital and related financing activities		<u>(396,788)</u>	<u>(396,788)</u>
Increase (decrease) in cash and cash equivalents	49,387	38,281	87,668
Cash and cash equivalents at beginning of year	<u>208,679</u>	<u>858,684</u>	<u>1,067,363</u>
Cash and cash equivalents at end of year	<u>258,066</u>	<u>896,965</u>	<u>1,155,031</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	<u>30,641</u>	<u>150,351</u>	<u>180,992</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	11,247	308,562	319,809
Change in operating assets and liabilities:			
(Increase) decrease in receivables	7,853	27,884	35,737
(Increase) decrease in prepaid items	(45)	(2,611)	(2,656)
(Increase) decrease in inventories		(22,823)	(22,823)
Increase (decrease) in liabilities	(309)	(26,294)	(26,603)
Total adjustments	<u>18,746</u>	<u>284,718</u>	<u>303,464</u>
Net cash provided (used) by operating activities	<u>\$49,387</u>	<u>\$435,069</u>	<u>\$484,456</u>
<b>Non-cash investing, capital and financing activities:</b>			
Capital contributions from developers	\$0	\$160,800	\$160,800

See Notes to the Basic Financial Statements.

CITY OF BELLBROOK  
GREENE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2011

	<u>Agency Fund</u>
<b>Assets:</b>	
Pooled cash and cash equivalents	<u>\$31,263</u>
<b>Liabilities:</b>	
Undistributed monies	<u>\$31,263</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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 assets 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, 2011  
(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, 2011  
(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 assets. 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.

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

**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.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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 2011 amounted to \$9,647, which includes \$7,042 assigned from other funds.

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

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

**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 assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2011, 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

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**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.

**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.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**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.

**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 Assets**

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



**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**L. Change in Accounting Principle**

For fiscal year 2011, the City reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on the fund balances previously reported.

**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, 2011, the bank balance of the City's cash deposits was \$3,280,904. As of December 31, 2011, \$1,257,602 of the City's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and \$2,023,302 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 2011. 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, 2011.

As of December 31, 2011, 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, 2011  
(Continued)**

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal National Mortgage Association Bonds	\$ 403,609	\$200,289	\$ 203,320
Federal Home Loan Bank Bonds	402,447		402,447
Federal Farm Credit Bonds	200,902		200,902
Federal Home Loan Mortgage Corporation Bonds	201,213		201,213
Schwab Money Market	6,469	6,469	
STAR Ohio	37,177	37,177	
	<u>\$1,251,817</u>	<u>\$243,935</u>	<u>\$1,007,882</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, 2011, 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, 2011:

<u>Investment Type</u>	<u>% of Total</u>
Federal National Mortgage Association Bonds	32.24%
Federal Home Loan Bank Bonds	32.15%
Federal Farm Credit Bonds	16.05%
Federal Home Loan Mortgage Corporation Bonds	16.07%
Schwab Money Market	0.52%
STAR Ohio	2.97%

**Cash with Fiscal Agent** - At year-end, the City had \$77,628 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, 2011. 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, 2011  
(Continued)**

**3. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General		\$450,000
Police	\$150,000	
Fire	50,000	
Capital improvements	250,000	
Total	<u>\$450,000</u>	<u>\$450,000</u>

**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, 2010
Lien date	December 31, 2010
Tax bill mailed	January 20, 2011
First installment payment due	February 15, 2011
Second installment payment due	July 15, 2011

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, 2011 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real estate	\$174,166,480
Public utility tangible personal property	3,015,030
Tangible personal property	87,190
Total	<u>\$177,268,700</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011, 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	\$ 282,980		(\$20,750)	\$ 262,230
Subtotal	<u>282,980</u>		<u>(20,750)</u>	<u>262,230</u>
<b>Capital assets being depreciated:</b>				
Land improvements	266,319			266,319
Buildings and improvements	3,036,592			3,036,592
Machinery and equipment	626,908	\$134,270	(16,427)	744,751
Vehicles	1,730,945	207,213	(202,162)	1,735,996
Infrastructure	2,557,811	605,441		3,163,252
Subtotal	<u>8,218,575</u>	<u>946,924</u>	<u>(218,589)</u>	<u>8,946,910</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(231,598)	(5,320)		(236,918)
Buildings and improvements	(879,845)	(62,867)		(942,712)
Machinery and equipment	(404,290)	(43,637)	16,427	(431,500)
Vehicles	(1,272,301)	(90,645)	202,162	(1,160,784)
Infrastructure	(344,404)	(142,081)		(486,485)
Subtotal	<u>(3,132,438)</u>	<u>(344,550)</u>	<u>218,589</u>	<u>(3,258,399)</u>
Net capital assets	<u>\$5,369,117</u>	<u>\$602,374</u>	<u>(\$20,750)</u>	<u>\$5,950,741</u>

Depreciation was charged to governmental activities as follows:

General government	\$67,323
Public safety	113,322
Transportation	163,905
Total governmental activities depreciation expense	<u>\$344,550</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	\$ 625,120		(\$ 20,750)	\$ 604,370
Construction in progress	1,625,832		(1,625,831)	
Subtotal	<u>2,250,951</u>		<u>(1,646,581)</u>	<u>604,370</u>
<b>Capital assets being depreciated:</b>				
Land improvements	29,958			29,958
Utility structures in service	13,847,501	\$ 246,997		14,094,498
Buildings and improvements	2,636,346	2,531,417		5,167,763
Machinery and equipment	377,731	21,222	(20,078)	378,875
Vehicles	142,517	17,231		159,748
Subtotal	<u>17,034,053</u>	<u>2,816,867</u>	<u>(20,078)</u>	<u>19,830,842</u>

(Continued)

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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	(24,201)	(1,091)		(25,292)
Utility structures in service	(5,572,181)	(191,179)		(5,763,360)
Buildings and improvements	(980,043)	(81,240)		(1,061,283)
Machinery and equipment	(155,385)	(34,287)	20,078	(169,594)
Vehicles	(41,761)	(12,012)		(53,773)
Subtotal	<u>(6,773,571)</u>	<u>(319,809)</u>	<u>20,078</u>	<u>(7,073,302)</u>
Net capital assets	<u>\$12,511,433</u>	<u>\$2,497,058</u>	<u>(\$1,646,581)</u>	<u>\$13,361,910</u>

Depreciation was charged to business-type activities as follows:

Waste collection	\$11,247
Water	<u>308,562</u>
Total business-type activities depreciation expense	<u>\$319,809</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 2011, MVRMA's per occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a per occurrence retention limit of \$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, 2011  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Medical coverage is offered to employees through a self-funded insurance plan. Under this plan, the Risk Management Agency provides coverage for up to a maximum of \$100,000 per person. 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 \$198,334 is a good and sufficient provision for incurred but not reported claims as of December 31, 2011. 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>
2010		\$479,596	\$273,150	\$206,446
2011	\$206,446	271,400	279,512	198,334

**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, 2011  
(Continued)**

**7. PENSION PLANS (Continued)**

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$121,985, \$107,708 and \$94,925, respectively; 92% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

**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, 2011, 2010, and 2009 were \$176,480, \$174,676 and \$168,124, respectively; 70% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

**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, 2011  
(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 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). 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 2011. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan was 6.05% during calendar year 2011. 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, 2011, 2010 and 2009 were \$48,790, \$61,354, and \$68,205, respectively; 92% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**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, 2011  
(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, 2011, 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 \$83,869, \$83,038 and \$79,966 for the years ended December 31, 2011, 2010 and 2009, respectively; 70% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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 2011, the following changes occurred in the governmental activities long-term obligations:

	<b>Balance 12/31/2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2011</b>	<b>Due within One Year</b>
<b>Governmental-type Activities:</b>					
Compensated Absences	\$191,999	\$194,248	(\$191,999)	\$194,248	\$96,788
Total	\$191,999	\$194,248	(\$191,999)	\$194,248	\$96,788

**Compensated absences:** Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid which will primarily be the general, street, police and fire funds.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

B. During 2011, the following changes occurred in the business-type activities long-term obligations:

	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>	<u>Due Within One Year</u>
<b>Business-type Activities:</b>					
<b>Revenue bonds:</b>					
Waterworks system 1982 5%	\$ 752,000		(\$ 53,000)	\$ 699,000	\$ 56,000
<b>Ohio Public Works Commission Loan:</b>					
Elevated water storage tank 1995 0.00%	137,500		(25,000)	112,500	25,000
Water treatment plant improvements 2010 0.00%	396,382	\$728,298		1,124,680	
Compensated Absences	49,811	57,069	(49,811)	57,069	42,892
<b>Total</b>	<u>\$1,335,693</u>	<u>\$785,367</u>	<u>(\$127,811)</u>	<u>\$1,993,249</u>	<u>\$123,892</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1,540,000 in Series 1982 water revenue bonds. Proceeds of the water revenue bonds were used for infrastructure improvements. The Series 1982 water revenue bonds are payable solely from water customer net revenues and are payable through 2021. Annual principal and interest payments are expected to require less than 19.74% of net revenues. The total principal and interest remaining to be paid on the Series 1982 water revenue bonds is \$905,350.

C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2011, follows:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>OPWC Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 56,000	\$ 34,950	\$ 25,000	
2013	58,000	32,150	81,173	
2014	61,000	29,250	81,173	
2015	64,000	26,200	81,173	
2016	68,000	23,000	68,673	
2017-2021	392,000	60,800	280,865	
2022-2026			280,865	
2027-2031			280,865	
2032-2036			57,393	
	<u>\$699,000</u>	<u>\$206,350</u>	<u>\$1,237,180</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, 2011, the City's total debt margin was \$18,613,214 and the un-voted debt margin was \$9,749,779.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(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, 2011.

**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.

**11. CONSTRUCTION COMMITMENTS**

Construction and other commitments at December 31, 2011, were approximately \$383,533.

**12. SUBSEQUENT EVENT**

On February 27, 2012 City Council approved issuance of up to \$700,000 in refunding bonds to refinance the waterworks revenue bonds. As these bonds were not issue until April 11, 2012, they are not included in the long-term debt of the business-type activities as of December 31, 2011.

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**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGED IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$568,000	\$597,696	\$597,698	\$2
Intergovernmental revenues	331,074	531,268	533,755	2,487
Charges for services	32,500	35,000	36,463	1,463
Fines, licenses, and permits	139,000	139,000	142,448	3,448
Interest earned	11,000	11,000	8,106	(2,894)
Miscellaneous and reimbursements	4,000	4,000	4,272	272
Total revenues	<u>1,085,574</u>	<u>1,317,964</u>	<u>1,322,742</u>	<u>4,778</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	552,056	540,106	405,214	134,892
Public safety	15,000	12,000	11,266	734
Community environment	90,059	83,059	79,925	3,134
Recreation	24,215	17,415	14,279	3,136
Total expenditures	<u>681,330</u>	<u>652,580</u>	<u>510,684</u>	<u>141,896</u>
Excess (deficiency) of revenues over expenditures	404,244	665,384	812,058	146,674
<b>Other financing sources (uses):</b>				
Transfers (out)	<u>(700,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	
Total other financing sources (uses)	<u>(700,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing use	(295,756)	215,384	362,058	146,674
Fund balance at beginning of year	829,995	829,995	829,995	
Prior year encumbrances appropriated				
Fund balance at end of year	<u>\$534,239</u>	<u>\$1,045,379</u>	<u>\$1,192,053</u>	<u>\$146,674</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, 2011**

	<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	\$300,500	\$300,500	\$293,422	(\$7,078)
Miscellaneous and reimbursements	6,500	11,500	12,119	619
Total revenues	<u>307,000</u>	<u>312,000</u>	<u>305,541</u>	<u>(6,459)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Transportation	<u>297,961</u>	<u>329,901</u>	<u>316,095</u>	<u>13,806</u>
Total expenditures	<u>297,961</u>	<u>329,901</u>	<u>316,095</u>	<u>13,806</u>
Excess (deficiency) of revenues over expenditure	9,039	(17,901)	(10,554)	7,347
Fund balance at beginning of year	115,807	115,807	115,807	
Prior year encumbrances appropriated				
Fund balance at end of year	<u><u>\$124,846</u></u>	<u><u>\$97,906</u></u>	<u><u>\$105,253</u></u>	<u><u>\$7,347</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, 2011**

	<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	\$1,156,000	\$1,200,260	\$1,200,263	\$3
Intergovernmental revenues	221,097	209,501	205,254	(4,247)
Miscellaneous and reimbursements	4,100	4,100	4,752	652
Total revenues	<u>1,381,197</u>	<u>1,413,861</u>	<u>1,410,269</u>	<u>(3,592)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	1,604,150	1,603,650	1,573,571	30,079
Total expenditures	<u>1,604,150</u>	<u>1,603,650</u>	<u>1,573,571</u>	<u>30,079</u>
Excess (deficiency) of revenues over expenditures	(222,953)	(189,789)	(163,302)	26,487
<b>Other financing sources (uses):</b>				
Transfers in	150,000	150,000	150,000	
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing use	(72,953)	(39,789)	(13,302)	26,487
Fund balance at beginning of year	171,367	171,367	171,367	
Prior year encumbrances appropriated				
Fund balance at end of year	<u>\$98,414</u>	<u>\$131,578</u>	<u>\$158,065</u>	<u>\$26,487</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  
FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$718,000	\$743,964	\$743,965	\$1
Intergovernmental revenues	117,815	117,391	118,598	1,207
Charges for services	105,000	95,000	86,963	(8,037)
Miscellaneous and reimbursements	1,250	1,250	778	(472)
Total revenues	<u>942,065</u>	<u>957,605</u>	<u>950,304</u>	<u>(7,301)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	<u>1,016,240</u>	<u>1,042,240</u>	<u>1,004,955</u>	<u>37,285</u>
Total expenditures	<u>1,016,240</u>	<u>1,042,240</u>	<u>1,004,955</u>	<u>37,285</u>
Excess (deficiency) of revenues over expenditures	(74,175)	(84,635)	(54,651)	29,984
<b>Other financing sources (uses):</b>				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
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	(24,175)	(34,635)	(4,651)	29,984
Fund balance at beginning of year	170,677	170,677	170,677	
Prior year encumbrances appropriated	<u>90</u>	<u>90</u>	<u>90</u>	
Fund balance at end of year	<u><u>\$146,592</u></u>	<u><u>\$136,132</u></u>	<u><u>\$166,116</u></u>	<u><u>\$29,984</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, 2011**

**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	\$355,989	\$ 484	(\$13,387)	\$1,113
Net adjustment for revenue accruals	5,155	1,236	155	(6,487)
Net adjustment for expenditure accruals	914	(12,274)	(70)	1,858
Net adjustment for encumbrances				(1,135)
Budget basis	<u>\$362,058</u>	<u>(\$10,554)</u>	<u>(\$13,302)</u>	<u>(\$4,651)</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. wherein we noted that the City adopted provisions of Government Accounting Standards No. 54.

### ***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 2011-001 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, 2011

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

FINDING NUMBER 2011-001

**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 2011 annual financial report contained errors which resulted in following reclassifications and adjustments to correctly report the City's financial activity:

- Original and Final Budgeted general government expenditures in the general fund were understated by \$115,600 each on the Schedule of Revenues, Expenditures, & Changes in Fund Balances – Budget and Actual – Budgetary (Non-GAAP) Basis.
- On the Statement of Cash Flows, the City netted \$706,194 in water fund OPWC loan proceeds against acquisition of capital assets and reported the remaining \$22,104 as cash flow from non-capital financing activity instead of cash flow from capital and related financing activities.

The accompanying financial statements were adjusted to correct the misstatements noted above. In addition, the City's 2011 annual financial report contained the following immaterial errors that did not require an adjustment to the made to the financial statements:

- General fund property taxes receivable and deferred revenue were overstated by \$11,500.
- Police fund property taxes receivable and deferred revenue were understated by \$11,250.
- Fire fund property taxes receivable and deferred revenue were overstated by \$10,125.
- Police pension fund property taxes receivable and deferred revenue were overstated by \$2,000.
- Due to the above noted errors, property taxes receivable and unearned revenue in the Statement of Net Assets were overstated by \$12,375.
- Water fund and business type activities inventory was overstated by \$12,540.
- Governmental activities' deferred revenue was understated by \$26,421 on the statement of net assets.

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 2011 Statement of Cash Flows – Proprietary Funds, the adjustments had no impact on the Increase(decrease) in cash and cash equivalents. For the 2011 Schedule of Revenue, Expenditures & Changes in Fund Balance-Budget and Actual-General Fund, the adjustments only impacted the original and final budget amounts for one line item and they did not create a negative 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**