

City of Bellbrook, Ohio

Basic Financial Statements
December 31, 2008 and 2007
with Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Members of City Council
City of Bellbrook
15 East Franklin Street
Bellbrook, Ohio 45305

We have reviewed the *Independent Auditors' Report* of the City of Bellbrook, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 28, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio (the City) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio as of December 31, 2008 and 2007, and the respective change in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Street Fund, Police Fund and Fire Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis on pages 3 through 15 and 59 - 72 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 25, 2009

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (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, 2007. 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 2007 are as follows:

- The total net assets of the City increased \$1,245,327. Net assets of governmental activities increased \$687,148 or 10.14% over 2006 and net assets of business-type activities increased \$558,179 or 5.50% over 2006.
- General revenues accounted for \$3,181,240 of total governmental activities revenue. Program specific revenues accounted for \$770,555 or 19.50% of total governmental activities revenue.
- The City had \$3,264,647 in expenses related to governmental activities; \$770,555 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,494,092 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$3,181,240.
- The general fund had revenues of \$1,262,977 in 2007. This represents an increase of \$8,101 from 2006. The expenditures and other financing uses of the general fund, which totaled \$1,167,159 in 2007, increased \$88,706 from 2006. The net increase in fund balance for the general fund was \$95,818 or 15.85%.
- The street fund had revenues of \$299,630 in 2007. The expenditures of the street fund, totaled \$315,439 in 2007. The net decrease in fund balance for the street fund was \$15,809 or 15.44%.
- The police fund had revenues of \$1,390,315 in 2007. The expenditures of the police fund, totaled \$1,280,803 in 2007. The net increase in fund balance for the police fund was \$109,512 or 740.15%.
- The fire fund had revenues of \$651,049 in 2007. The expenditures of the fire fund, totaled \$634,317 in 2007. The net increase in fund balance for the fire fund was \$16,732 or 235.17%.
- The capital improvement fund had other financing sources of \$500,000 in 2007. The expenditures of the capital improvement fund, totaled \$360,725 in 2007. The net increase in fund balance for the capital improvement fund was \$139,275 or 9.78%.
- Net assets for the business-type activities, which are made up of the Water and Waste collection enterprise funds, increased in 2007 by \$558,179.
- In the general fund, the actual revenues and other financing sources came in \$140,718 higher than they were in the original and final budget and actual expenditures and other financing uses were \$218,163 less than the amount in the original and final budget.

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found on pages 16-18 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street fund, police fund, fire fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 19-28 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and waste management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 29-32 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 33 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 34-58 of this report.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2007 compared to 2006.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>						
Current and other assets	\$ 5,325,130	\$ 4,880,306	\$ 1,322,509	\$ 958,277	\$ 6,647,639	\$ 5,838,583
Capital assets	<u>4,698,789</u>	<u>4,423,154</u>	<u>10,611,472</u>	<u>10,470,828</u>	<u>15,310,261</u>	<u>14,893,982</u>
Total assets	<u>10,023,919</u>	<u>9,303,460</u>	<u>11,933,981</u>	<u>11,429,105</u>	<u>21,957,900</u>	<u>20,732,565</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	190,455	205,948	1,141,739	1,204,801	1,332,194	1,410,749
Other liabilities	<u>2,368,864</u>	<u>2,320,060</u>	<u>80,374</u>	<u>70,615</u>	<u>2,449,238</u>	<u>2,390,675</u>
Total liabilities	<u>2,559,319</u>	<u>2,526,008</u>	<u>1,222,113</u>	<u>1,275,416</u>	<u>3,781,432</u>	<u>3,801,424</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	4,698,789	4,423,154	9,502,972	9,293,328	14,201,761	13,716,482
Restricted	1,957,880	1,670,425	-	-	1,957,880	1,670,425
Unrestricted	<u>807,931</u>	<u>683,873</u>	<u>1,208,896</u>	<u>860,361</u>	<u>2,016,827</u>	<u>1,544,234</u>
Total net assets	<u>\$ 7,464,600</u>	<u>\$ 6,777,452</u>	<u>\$ 10,711,868</u>	<u>\$ 10,153,689</u>	<u>\$ 18,176,468</u>	<u>\$ 16,931,141</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$18,176,468. At year-end, net assets were \$7,464,600 and \$10,711,868 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 69.73% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, utility structures in service, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$4,698,789 and \$9,502,972 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,957,880, 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 \$807,931 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The table below shows the comparative analysis of changes in net assets for fiscal year 2007 compared to 2006.

	Change in Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services	\$ 249,020	\$ 220,961	\$ 1,970,807	\$ 1,730,268	\$ 2,219,827	\$ 1,951,229
Operating grants and contributions	333,009	388,522	-	-	333,009	388,522
Capital grants and contributions	188,526	375,298	79,594	207,238	268,120	582,536
Total program revenues	<u>770,555</u>	<u>984,781</u>	<u>2,050,401</u>	<u>1,937,506</u>	<u>2,820,956</u>	<u>2,922,287</u>
General revenues:						
Property taxes	2,232,038	2,052,254	-	-	2,232,038	2,052,254
Unrestricted grants and entitlements	649,764	581,822	155,643	209,309	805,407	791,131
Investment earnings	169,408	148,397	-	-	169,408	148,397
Miscellaneous	130,030	118,247	29,456	7,306	159,486	125,553
Total general revenues	<u>3,181,240</u>	<u>2,900,720</u>	<u>185,099</u>	<u>216,615</u>	<u>3,366,339</u>	<u>3,117,335</u>
Total revenues	<u>3,951,795</u>	<u>3,885,501</u>	<u>2,235,500</u>	<u>2,154,121</u>	<u>6,187,295</u>	<u>6,039,622</u>
Expenses:						
General government	470,239	383,891	-	-	470,239	383,891
Security of persons and property	2,265,928	2,244,644	-	-	2,265,928	2,244,644
Public health and welfare	335	284	-	-	335	284
Transportation	477,609	345,016	-	-	477,609	345,016
Community environment	38,653	32,053	-	-	38,653	32,053
Leisure time activity	11,883	19,096	-	-	11,883	19,096
Water	-	-	1,338,533	1,451,028	1,338,533	1,451,028
Waste collection	-	-	338,788	334,509	338,788	334,509
Total expenses	<u>3,264,647</u>	<u>3,024,984</u>	<u>1,677,321</u>	<u>1,785,537</u>	<u>4,941,968</u>	<u>4,810,521</u>
Change in net assets	687,148	860,517	558,179	368,584	1,245,327	1,229,101
Net assets at beginning of year	<u>6,777,452</u>	<u>5,916,935</u>	<u>10,153,689</u>	<u>9,785,105</u>	<u>16,931,141</u>	<u>15,702,040</u>
Net assets at end of year	<u>\$ 7,464,600</u>	<u>\$ 6,777,452</u>	<u>\$ 10,711,868</u>	<u>\$ 10,153,689</u>	<u>\$ 18,176,468</u>	<u>\$ 16,931,141</u>

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Activities

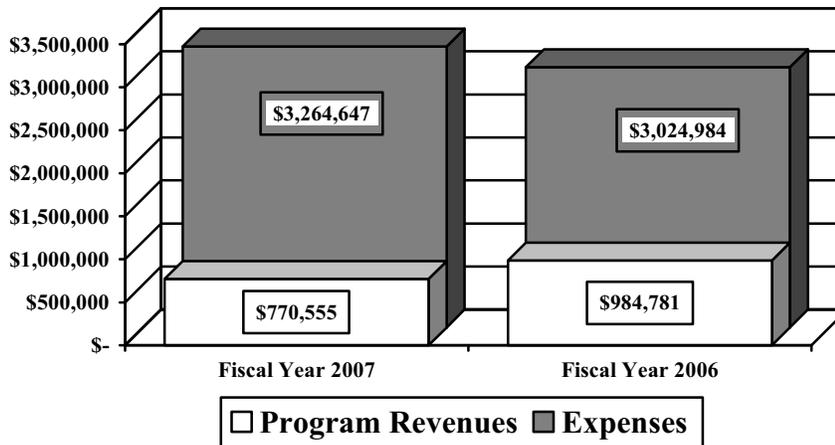
Governmental activities net assets increased \$687,148 in 2007. Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,265,928 or 69.41% of the total governmental expenses of the City. Security of persons and property expenses were partially funded by \$146,785 in direct charges to users of the services. General government expenses totaled \$470,239. General government expenses were partially funded by \$58,333 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$521,535 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. \$328,668 of the operating grants and contributions and capital grants and contributions subsidized transportation programs.

General revenues totaled \$3,181,240, and amounted to 80.50% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,232,038. 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 \$649,764.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements for 2007 compared to 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF BELLBROOK, OHIO

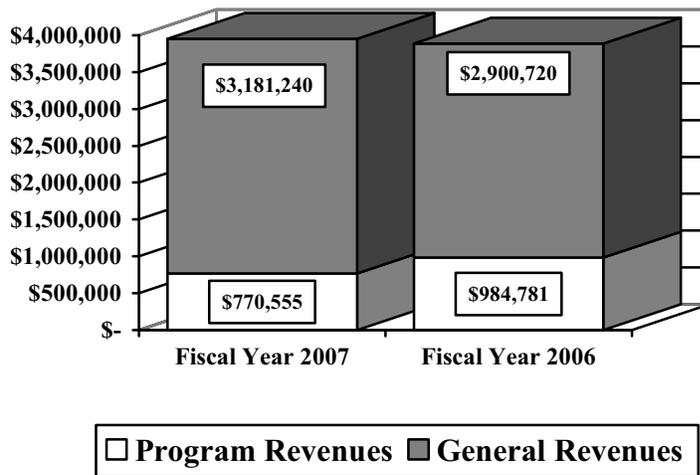
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Activities

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 470,239	\$ 223,380	\$ 383,891	\$ 308,841
Security of persons and property	2,265,928	2,114,802	2,244,644	2,078,632
Public health and welfare	335	335	284	284
Transportation	477,609	113,546	345,016	(388,763)
Community environment	38,653	30,146	32,053	22,113
Leisure time activity	11,883	11,883	19,096	19,096
Total	\$ 3,264,647	\$ 2,494,092	\$ 3,024,984	\$ 2,040,203

The dependence upon general revenues for governmental activities is apparent, with 76.40% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2007 and 2006.

Governmental Activities – General and Program Revenues

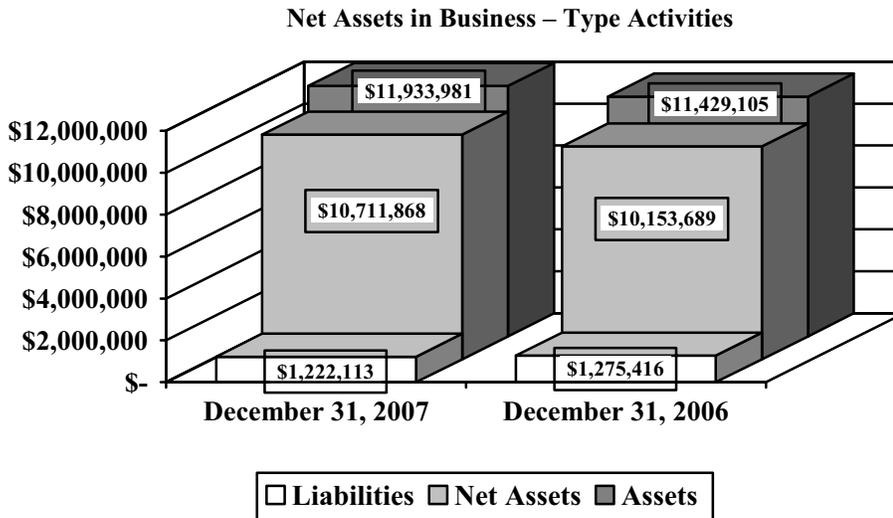


CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,050,401 and expenses of \$1,677,321 for 2007. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 19-20) reported a combined fund balance of \$2,509,162 which is \$360,078 above last year's total of \$2,149,084. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2007 for all major and non-major governmental funds.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

	Fund Balances 12/31/07	Fund Balances (Deficit) 12/31/06	Increase (Decrease)
Major funds:			
General	\$ 700,288	\$ 604,470	\$ 95,818
Street	86,558	102,367	(15,809)
Police	94,716	(14,796)	109,512
Fire	23,847	7,115	16,732
Capital improvement	1,564,005	1,424,730	139,275
Other nonmajor governmental funds	39,748	25,198	14,550
Total	\$ 2,509,162	\$ 2,149,084	\$ 360,078

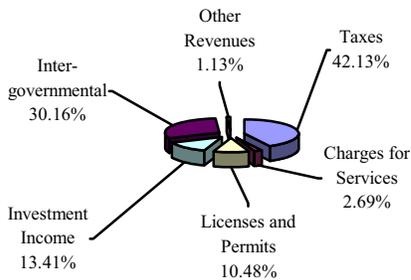
General Fund

The City's general fund balance increased \$95,818. The table that follows assists in illustrating the revenues of the general fund.

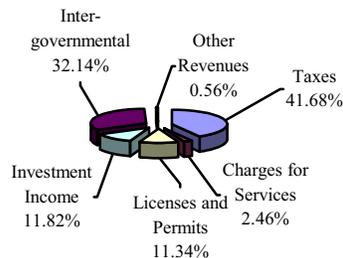
	2007 Amount	2006 Amount	Percentage Change
Revenues			
Taxes	\$ 532,182	\$ 523,070	1.74 %
Charges for services	33,973	30,832	10.19 %
Licenses and permits	132,300	142,280	(7.01) %
Investment income	169,312	148,344	14.13 %
Intergovernmental	380,904	403,286	(5.55) %
Other	14,306	7,064	102.52 %
Total	\$ 1,262,977	\$ 1,254,876	0.65 %

During 2007 the City increased total revenues by 0.65%. The 14.13% increase in investment income was primarily due to the City's higher cash balance in which they invested during 2007, and also due to increased interest rates during 2007. The 10.19% increase in charges for services was due to the increase in lease income during 2007. The largest increase, in other revenues, was due primarily to the increase in miscellaneous reimbursements during 2007.

Revenues – Fiscal Year 2007



Revenues – Fiscal Year 2006



CITY OF BELLBROOK, OHIO

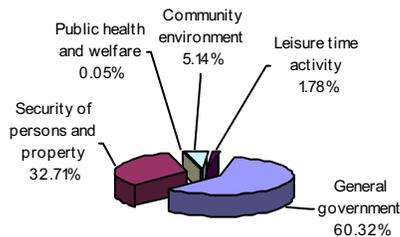
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

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

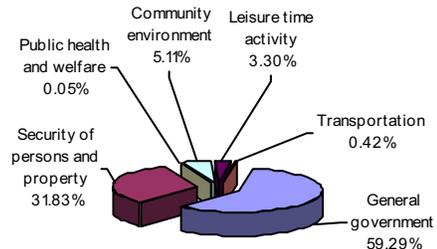
	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 402,260	\$ 342,873	17.32
Security of persons and property	218,152	184,079	18.51
Public health and welfare	335	284	17.96
Community environment	34,297	29,524	16.17
Transportation	-	2,424	100.00
Leisure time activity	<u>11,883</u>	<u>19,096</u>	(37.77)
Total	<u>\$ 666,927</u>	<u>\$ 578,280</u>	15.33

During 2007 the City increased total expenditures by 15.33%. The second largest expenditure, security of persons and property, increased 18.51%, which is primarily attributed to covering the excess expenditures of the Police fund. The 37.77% decrease in leisure time activity expenditures were primarily due to improvements on the museum in 2006. The 17.96% increase in public health and welfare expenditures were primarily due to the increase in mosquito control fees during 2007.

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



Street Fund

The street fund had revenues of \$299,630 in 2007. The expenditures of the street fund, totaled \$315,439 in 2007. The net decrease in fund balance for the street fund was \$15,809 or 15.44%.

Police Fund

The police fund had revenues of \$1,390,315 in 2007. The expenditures of the police fund, totaled \$1,280,803 in 2007. The net increase in fund balance for the police fund was \$109,512 or 740.15%.

Fire Fund

The fire fund had revenues of \$651,049 in 2007. The expenditures of the fire fund, totaled \$634,317 in 2007. The net increase in fund balance for the fire fund was \$16,732 or 235.17%.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Capital Improvement Fund

The capital improvement fund had other financing sources of \$500,000 in 2007. The expenditures of the capital improvement fund, totaled \$360,725 in 2007. The net increase in fund balance for the capital improvement fund was \$139,275 or 9.78%.

Proprietary Funds

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

Budgeting Highlights

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

Budgetary information is presented for the general fund, street fund, police fund and fire fund. In the general fund, the actual revenues and other financing sources came in \$140,718 higher than they were in the final budget and actual expenditures and other financing uses were \$218,163 less than the amount in the final budget. Budgeted expenditures remained the same from the original to the final budget. Budgeted revenues remained the same from the original to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the City had \$15,310,261 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$4,698,789 was reported in governmental activities and \$10,611,472 was reported in business-type activities. See Note 8 for further description of capital assets. The following table shows fiscal 2007 balances compared to 2006:

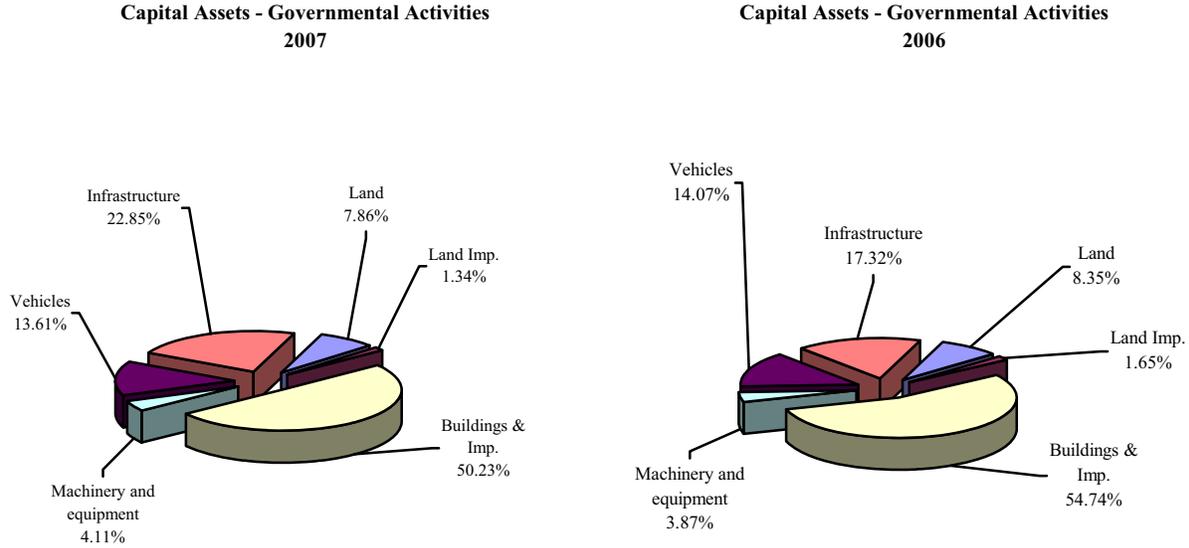
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 369,451	\$ 369,451	\$ 585,715	\$ 585,715	\$ 955,166	\$ 955,166
Construction in progress	-	-	386,879	151,890	386,879	151,890
Land improvements	62,872	73,171	9,437	10,935	72,309	84,106
Buildings and improvements	2,359,763	2,420,979	1,714,278	1,627,476	4,074,041	4,048,455
Machinery and equipment	193,344	171,061	195,176	346,866	388,520	517,927
Vehicles	639,694	622,460	23,531	28,470	663,225	650,930
Infrastructure	1,073,665	766,032	-	-	1,073,665	766,032
Utility structures in service	-	-	7,696,456	7,719,476	7,696,456	7,719,476
Totals	\$ 4,698,789	\$ 4,423,154	\$ 10,611,472	\$ 10,470,828	\$ 15,310,261	\$ 14,893,982

CITY OF BELLBROOK, OHIO

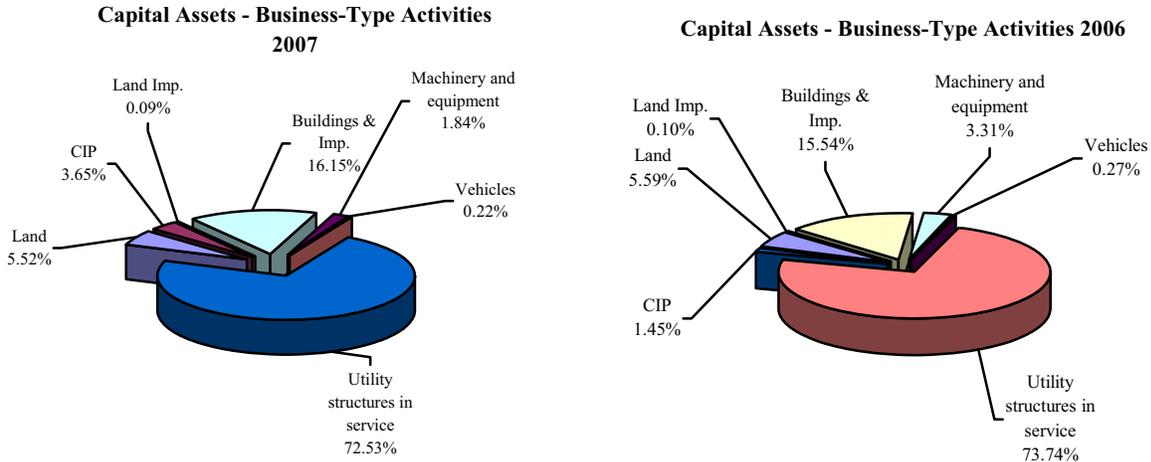
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.



This is the City's fourth year of reporting infrastructure. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 22.85% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.



The City's largest business-type capital asset category is utility structures in service which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility structures in service (cost less accumulated depreciation) represents approximately 72.53% of the City's total business-type capital assets.

CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

Debt Administration

The City had the following long-term debt outstanding at December 31, 2007 and 2006:

	Business-type Activities	
	2007	2006
Revenue bonds	\$ 896,000	\$ 940,000
OPWC loans	212,500	237,500
Total long-term obligations	\$1,108,500	\$1,177,500

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

Economic Conditions and Outlook

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

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

In 2007, there were 4 active housing developments underway including our first upscale condominium project containing 44 units, which are now selling for over \$200,000 apiece. The single-family houses are all selling for at least \$350,000 and some around \$750,000. Two additional developments received preliminary approval with a total of 133 lots planned for houses with a minimum value of \$500,000.

Police and Fire Department operations are funded by their own property tax levies with major capital costs paid from the capital improvement Fund. Service Department costs are funded by the water and street funds with some capital construction costs such as street reconstruction paid from the capital improvement fund.

The City's cash balances in the general fund and the capital improvement fund (which is funded wholly by transfers from the General Fund) have steadily increased since 2001: \$524,374 (2001); \$598,965 (2002); \$730,908 (2003); \$1,108,718 (2004); \$1,466,583 (2005); \$2,023,521 (2006); \$2,293,766 (2007). This has resulted from careful planning as we prepare for continuing reductions in State funding and additional investment in our infrastructure, especially neighborhood streets.

Contacting the City's Financial Management

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

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CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,507,093	\$ 794,876	\$ 3,301,969
Cash and cash equivalents with fiscal agents	18,265	-	18,265
Receivables (net of allowances for uncollectibles):			
Real and other taxes	2,212,681	-	2,212,681
Accounts	79,110	417,522	496,632
Due from other governments	439,320	-	439,320
Prepayments	26,712	28,549	55,261
Materials and supplies inventory.	41,949	81,562	123,511
Capital assets:			
Land	369,451	585,715	955,166
Construction in progress.	-	386,879	386,879
Depreciable capital assets, net	4,329,338	9,638,878	13,968,216
Total capital assets, net	<u>4,698,789</u>	<u>10,611,472</u>	<u>15,310,261</u>
 Total assets.	 <u>10,023,919</u>	 <u>11,933,981</u>	 <u>21,957,900</u>
Liabilities:			
Accounts payable.	23,993	12,147	36,140
Accrued wages and benefits	72,128	15,909	88,037
Due to other governments	143,826	22,451	166,277
Unearned revenue.	2,128,917	-	2,128,917
Accrued interest payable.	-	29,867	29,867
Long-term liabilities:			
Due within one year	77,170	82,855	160,025
Due in more than one year	113,285	1,058,884	1,172,169
 Total liabilities	 <u>2,559,319</u>	 <u>1,222,113</u>	 <u>3,781,432</u>
Net assets:			
Invested in capital assets, net of related debt	4,698,789	9,502,972	14,201,761
Restricted for:			
Capital improvement	1,564,005	-	1,564,005
Street	149,927	-	149,927
Police	115,843	-	115,843
Fire	77,209	-	77,209
Other purposes.	50,896	-	50,896
Unrestricted	807,931	1,208,896	2,016,827
 Total net assets.	 <u>\$ 7,464,600</u>	 <u>\$ 10,711,868</u>	 <u>\$ 18,176,468</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 470,239	\$ 58,333	\$ -	\$ 188,526
Security of persons and property.	2,265,928	146,785	4,341	-
Public health and welfare	335	-	-	-
Transportation	477,609	35,395	328,668	-
Community environment	38,653	8,507	-	-
Leisure time activity.	11,883	-	-	-
Total governmental activities	<u>3,264,647</u>	<u>249,020</u>	<u>333,009</u>	<u>188,526</u>
Business-type Activities:				
Water	1,338,533	1,638,899	-	79,594
Waste collection	338,788	331,908	-	-
Total business-type activities	<u>1,677,321</u>	<u>1,970,807</u>	<u>-</u>	<u>79,594</u>
Total primary government.	<u>\$ 4,941,968</u>	<u>\$ 2,219,827</u>	<u>\$ 333,009</u>	<u>\$ 268,120</u>

General Revenues:

Property taxes levied for:

General purposes.	
Fire and rescue.	
Police	
Police pension	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	

Total general revenues.

Change in net assets.

Net assets at beginning of year

Net assets at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (223,380)	\$ -	\$ (223,380)
(2,114,802)	-	(2,114,802)
(335)	-	(335)
(113,546)	-	(113,546)
(30,146)	-	(30,146)
(11,883)	-	(11,883)
<u>(2,494,092)</u>	<u>-</u>	<u>(2,494,092)</u>
-	379,960	379,960
-	(6,880)	(6,880)
-	<u>373,080</u>	<u>373,080</u>
<u>(2,494,092)</u>	<u>373,080</u>	<u>(2,121,012)</u>
533,513	-	533,513
442,512	-	442,512
1,213,740	-	1,213,740
42,273	-	42,273
649,764	155,643	805,407
169,408	-	169,408
<u>130,030</u>	<u>29,456</u>	<u>159,486</u>
3,181,240	185,099	3,366,339
687,148	558,179	1,245,327
<u>6,777,452</u>	<u>10,153,689</u>	<u>16,931,141</u>
<u>\$ 7,464,600</u>	<u>\$ 10,711,868</u>	<u>\$ 18,176,468</u>

CITY OF BELLBROOK, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	<u>General</u>	<u>Street</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 719,923	\$ 12,263	\$ 133,792
Receivables:			
Property and other taxes	542,163	-	1,190,254
Accounts	32,442	-	1,410
Due from other governments	161,809	123,820	92,143
Prepayments	5,181	2,642	13,139
Materials and supplies inventory	-	22,443	15,605
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	18,265	-
Total assets	<u>\$ 1,461,518</u>	<u>\$ 179,433</u>	<u>\$ 1,446,343</u>
Liabilities:			
Accounts payable	\$ 8,773	\$ -	\$ 1,702
Accrued wages and benefits	9,700	5,572	40,134
Due to other governments	87,116	7,573	29,733
Deferred revenue	134,147	79,730	134,665
Unearned revenue	521,494	-	1,145,393
Total liabilities	<u>761,230</u>	<u>92,875</u>	<u>1,351,627</u>
Fund Balances:			
Reserved for encumbrances	1,772	1	48,915
Reserved for prepayments	5,181	2,642	13,139
Reserved for materials and supplies inventory	-	22,443	15,605
Reserved for restricted assets	-	18,265	-
Unreserved, undesignated (deficit), reported in:			
General fund	693,335	-	-
Special revenue funds	-	43,207	17,057
Capital projects funds	-	-	-
Total fund balances	<u>700,288</u>	<u>86,558</u>	<u>94,716</u>
Total liabilities and fund balances	<u>\$ 1,461,518</u>	<u>\$ 179,433</u>	<u>\$ 1,446,343</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Fire</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 34,497	\$ 1,573,842	\$ 32,776	\$ 2,507,093
439,980	-	40,284	2,212,681
45,258	-	-	79,110
44,485	-	17,063	439,320
5,750	-	-	26,712
3,901	-	-	41,949
-	-	-	18,265
<u>\$ 573,871</u>	<u>\$ 1,573,842</u>	<u>\$ 90,123</u>	<u>\$ 5,325,130</u>
\$ 3,297	\$ 9,837	\$ 384	\$ 23,993
16,722	-	-	72,128
19,294	-	110	143,826
87,414	-	11,148	447,104
423,297	-	38,733	2,128,917
<u>550,024</u>	<u>9,837</u>	<u>50,375</u>	<u>2,815,968</u>
23,258	69,984	-	143,930
5,750	-	-	26,712
3,901	-	-	41,949
-	-	-	18,265
-	-	-	693,335
(9,062)	-	39,748	90,950
-	1,494,021	-	1,494,021
<u>23,847</u>	<u>1,564,005</u>	<u>39,748</u>	<u>2,509,162</u>
<u>\$ 573,871</u>	<u>\$ 1,573,842</u>	<u>\$ 90,123</u>	<u>\$ 5,325,130</u>

CITY OF BELLBROOK, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances		\$	2,509,162
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,698,789
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	83,764	
Charges for services		30,246	
Intergovernmental revenues		<u>333,094</u>	
Total			447,104
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.			<u>(190,455)</u>
Net assets of governmental activities		\$	<u><u>7,464,600</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Street</u>	<u>Police</u>
Revenues:			
Property and other taxes	\$ 532,182	\$ -	\$ 1,213,087
Charges for services	33,973	-	1,410
Licenses and permits	132,300	-	-
Intergovernmental	380,904	296,674	172,633
Investment income	169,312	-	-
Other	14,306	2,956	3,185
Total revenues	<u>1,262,977</u>	<u>299,630</u>	<u>1,390,315</u>
Expenditures:			
Current:			
General government	402,260	-	-
Security of persons and property	218,152	-	1,280,803
Public health and welfare	335	-	-
Transportation	-	315,439	-
Community environment	34,297	-	-
Leisure time activity	11,883	-	-
Capital outlay	-	-	-
Total expenditures	<u>666,927</u>	<u>315,439</u>	<u>1,280,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>596,050</u>	<u>(15,809)</u>	<u>109,512</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	<u>(500,232)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(500,232)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	95,818	(15,809)	109,512
Fund balances (deficit)			
at beginning of year	<u>604,470</u>	<u>102,367</u>	<u>(14,796)</u>
Fund balances at end of year	<u>\$ 700,288</u>	<u>\$ 86,558</u>	<u>\$ 94,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 442,400	\$ -	\$ 42,242	\$ 2,229,911
129,727	-	681	165,791
-	-	35,395	167,695
67,339	-	44,847	962,397
-	-	96	169,408
11,583	-	95	32,125
<u>651,049</u>	<u>-</u>	<u>123,356</u>	<u>3,727,327</u>
-	-	830	403,090
634,317	-	41,861	2,175,133
-	-	-	335
-	-	66,347	381,786
-	-	-	34,297
-	-	-	11,883
-	360,725	-	360,725
<u>634,317</u>	<u>360,725</u>	<u>109,038</u>	<u>3,367,249</u>
<u>16,732</u>	<u>(360,725)</u>	<u>14,318</u>	<u>360,078</u>
-	500,000	232	500,232
-	-	-	(500,232)
-	<u>500,000</u>	<u>232</u>	<u>-</u>
16,732	139,275	14,550	360,078
7,115	1,424,730	25,198	2,149,084
<u>\$ 23,847</u>	<u>\$ 1,564,005</u>	<u>\$ 39,748</u>	<u>\$ 2,509,162</u>

CITY OF BELLBROOK, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - total governmental funds \$ 360,078

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

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

Capital asset additions	\$	539,258	
Current year depreciation		<u>(257,165)</u>	
 Total			 282,093

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net assets. (6,458)

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

Property taxes		2,127	
Charges for services		13,655	
Intergovernmental revenue		<u>20,160</u>	
 Total			 35,942

Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 15,493

Change in net assets of governmental activities \$ 687,148

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 500,000	\$ 500,000	\$ 532,182	\$ 32,182
Charges for services	28,000	28,000	30,342	2,342
Licenses and permits	155,000	155,000	134,899	(20,101)
Intergovernmental	341,251	341,251	393,898	52,647
Investment income	100,000	100,000	169,312	69,312
Other	10,000	10,000	4,918	(5,082)
Total revenues.	<u>1,134,251</u>	<u>1,134,251</u>	<u>1,265,551</u>	<u>131,300</u>
Expenditures:				
Current:				
General government	509,253	509,253	417,122	92,131
Security of persons and property	303,484	303,484	213,824	89,660
Public health and welfare	5,000	5,000	335	4,665
Transportation	7,424	7,424	2,423	5,001
Community environment	40,000	40,000	34,225	5,775
Leisure time activity	34,204	34,204	14,041	20,163
Total expenditures	<u>899,365</u>	<u>899,365</u>	<u>681,970</u>	<u>217,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>234,886</u>	<u>234,886</u>	<u>583,581</u>	<u>348,695</u>
Other financing sources (uses):				
Sale of capital assets	-	-	9,418	9,418
Transfers out	(501,000)	(501,000)	(500,232)	768
Total other financing sources (uses)	<u>(501,000)</u>	<u>(501,000)</u>	<u>(490,814)</u>	<u>10,186</u>
Net change in fund balance	(266,114)	(266,114)	92,767	358,881
Fund balance at beginning of year	508,724	508,724	508,724	-
Prior year encumbrances appropriated	90,065	90,065	90,065	-
Fund balance at end of year.	<u>\$ 332,675</u>	<u>\$ 332,675</u>	<u>\$ 691,556</u>	<u>\$ 358,881</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 310,000	\$ 310,000	\$ 288,955	\$ (21,045)
Other	-	-	2,956	2,956
Total revenues.	<u>310,000</u>	<u>310,000</u>	<u>291,911</u>	<u>(18,089)</u>
Expenditures:				
Current:				
Transportation	<u>347,287</u>	<u>347,287</u>	<u>324,916</u>	<u>22,371</u>
Total expenditures	<u>347,287</u>	<u>347,287</u>	<u>324,916</u>	<u>22,371</u>
Net change in fund balance	(37,287)	(37,287)	(33,005)	4,282
Fund balance at beginning of year	37,734	37,734	37,734	-
Prior year encumbrances appropriated	<u>4,287</u>	<u>4,287</u>	<u>4,287</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 4,734</u>	<u>\$ 4,734</u>	<u>\$ 9,016</u>	<u>\$ 4,282</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 1,166,000	\$ 1,166,000	\$ 1,213,087	\$ 47,087
Intergovernmental	159,000	159,000	170,294	11,294
Other	10,000	10,000	3,185	(6,815)
Total revenues.	<u>1,335,000</u>	<u>1,335,000</u>	<u>1,386,566</u>	<u>51,566</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,362,958</u>	<u>1,362,958</u>	<u>1,336,809</u>	<u>26,149</u>
Total expenditures	<u>1,362,958</u>	<u>1,362,958</u>	<u>1,336,809</u>	<u>26,149</u>
Net change in fund balance	(27,958)	(27,958)	49,757	77,715
Fund balance at beginning of year	28,055	28,055	28,055	-
Prior year encumbrances appropriated	<u>2,958</u>	<u>2,958</u>	<u>2,958</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 3,055</u>	<u>\$ 3,055</u>	<u>\$ 80,770</u>	<u>\$ 77,715</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 425,000	\$ 425,000	\$ 442,400	\$ 17,400
Charges for services	140,000	140,000	123,268	(16,732)
Intergovernmental	70,000	70,000	63,339	(6,661)
Other	15,000	15,000	11,367	(3,633)
Total revenues.	<u>650,000</u>	<u>650,000</u>	<u>640,374</u>	<u>(9,626)</u>
Expenditures:				
Current:				
Security of persons and property	<u>680,722</u>	<u>680,722</u>	<u>661,464</u>	<u>19,258</u>
Total expenditures	<u>680,722</u>	<u>680,722</u>	<u>661,464</u>	<u>19,258</u>
Net change in fund balance	(30,722)	(30,722)	(21,090)	9,632
Fund balance at beginning of year	24,827	24,827	24,827	-
Prior year encumbrances appropriated	<u>6,722</u>	<u>6,722</u>	<u>6,722</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 827</u>	<u>\$ 827</u>	<u>\$ 10,459</u>	<u>\$ 9,632</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2007

	Business-type Activities -Enterprise Funds		
	Water	Waste Collection	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 763,624	\$ 31,252	\$ 794,876
Receivables:			
Accounts	409,748	7,774	417,522
Prepayments	28,549	-	28,549
Materials and supplies inventory	81,562	-	81,562
Total current assets	<u>1,283,483</u>	<u>39,026</u>	<u>1,322,509</u>
Noncurrent assets:			
Capital assets:			
Land	585,715	-	585,715
Construction in progress	386,879	-	386,879
Depreciable capital assets, net	9,542,614	96,264	9,638,878
Total capital assets	<u>10,515,208</u>	<u>96,264</u>	<u>10,611,472</u>
Total assets	<u>11,798,691</u>	<u>135,290</u>	<u>11,933,981</u>
Liabilities:			
Current liabilities:			
Accounts payable	12,147	-	12,147
Accrued wages and benefits	15,909	-	15,909
Compensated absences	11,855	-	11,855
Due to other governments	22,396	55	22,451
Current portion of OPWC loans	25,000	-	25,000
Current portion of revenue bonds	46,000	-	46,000
Accrued interest payable	29,867	-	29,867
Total current liabilities	<u>163,174</u>	<u>55</u>	<u>163,229</u>
Long-term liabilities:			
Revenue bonds	850,000	-	850,000
OPWC loans	187,500	-	187,500
Compensated absences	21,384	-	21,384
Total long-term liabilities	<u>1,058,884</u>	<u>-</u>	<u>1,058,884</u>
Total liabilities	<u>1,222,058</u>	<u>55</u>	<u>1,222,113</u>
Net assets:			
Invested in capital assets, net of related debt	9,406,708	96,264	9,502,972
Unrestricted	1,169,925	38,971	1,208,896
Total net assets	<u>\$ 10,576,633</u>	<u>\$ 135,235</u>	<u>10,711,868</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Operating revenues:			
Charges for services	\$ 1,638,899	\$ 331,908	\$ 1,970,807
Other	28,579	877	29,456
Total operating revenues	<u>1,667,478</u>	<u>332,785</u>	<u>2,000,263</u>
Operating expenses:			
Personal services	753,256	5,281	758,537
Contract services	251,852	319,391	571,243
Materials and supplies	34,538	2,110	36,648
Depreciation	249,231	11,247	260,478
Other	4,122	759	4,881
Total operating expenses.	<u>1,292,999</u>	<u>338,788</u>	<u>1,631,787</u>
Operating income (loss)	<u>374,479</u>	<u>(6,003)</u>	<u>368,476</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	155,643	-	155,643
Interest expense and fiscal charges	(45,534)	-	(45,534)
Total nonoperating revenues (expenses)	<u>110,109</u>	<u>-</u>	<u>110,109</u>
Income (loss) before contributions.	484,588	(6,003)	478,585
Capital contributions	79,594	-	79,594
Changes in net assets	564,182	(6,003)	558,179
Net assets at beginning of year	<u>10,012,451</u>	<u>141,238</u>	<u>10,153,689</u>
Net assets at end of year.	<u>\$ 10,576,633</u>	<u>\$ 135,235</u>	<u>\$ 10,711,868</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,608,963	\$ 337,105	\$ 1,946,068
Cash received from other operations	28,579	877	29,456
Cash payments for personal services	(741,992)	(5,482)	(747,474)
Cash payments for contract services	(248,524)	(319,391)	(567,915)
Cash payments for materials and supplies	(55,769)	(2,110)	(57,879)
Cash payments for other expenses	(4,122)	(759)	(4,881)
Net cash provided by operating activities.	<u>587,135</u>	<u>10,240</u>	<u>597,375</u>
Cash flows from noncapital financing activities:			
Cash received from grants.	<u>155,643</u>	<u>-</u>	<u>155,643</u>
Net cash provided by (used in) noncapital financing activities	<u>155,643</u>	<u>-</u>	<u>155,643</u>
Cash flows from capital and related financing activities:			
Capital contributions	79,594	-	79,594
Acquisition of capital assets	(401,122)	-	(401,122)
Principal retirement on revenue bonds	(44,000)	-	(44,000)
Principal retirement on OPWC loans.	(25,000)	-	(25,000)
Interest and fiscal charges.	(47,000)	-	(47,000)
Net cash used in capital and related financing activities	<u>(437,528)</u>	<u>-</u>	<u>(437,528)</u>
Net increase in cash and cash equivalents.	305,250	10,240	315,490
Cash and cash equivalents at beginning of year . . .	<u>458,374</u>	<u>21,012</u>	<u>479,386</u>
Cash and cash equivalents at end of year.	<u>\$ 763,624</u>	<u>\$ 31,252</u>	<u>\$ 794,876</u>

-- continued

CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 374,479	\$ (6,003)	\$ 368,476
Adjustments:			
Depreciation	249,231	11,247	260,478
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(22,292)	-	(22,292)
(Increase) decrease in accounts receivable.	(29,936)	5,197	(24,739)
Increase in prepayments.	(1,711)	-	(1,711)
Increase in accounts payable	6,538	-	6,538
Increase in accrued wages and benefits.	2,010	-	2,010
Increase (decrease) in due to other governments	2,878	(201)	2,677
Increase in compensated absences payable	5,938	-	5,938
Net cash provided by operating activities	<u>\$ 587,135</u>	<u>\$ 10,240</u>	<u>\$ 597,375</u>

The Water fund received \$79,594 in capital contributions from developers.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2007

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 65,804
Receivables:	
Accounts.	<u>1,382</u>
Total assets.	<u>\$ 67,186</u>
Liabilities:	
Due to others	<u>67,186</u>
Total liabilities	<u>\$ 67,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

B. Basis of Presentation - Fund Accounting

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

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

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

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

C. Fund Accounting

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

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

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

E. Basis of Accounting

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

TAX BUDGET

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

ESTIMATED RESOURCES

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

APPROPRIATIONS

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

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2007.

G. Cash and Cash Equivalents

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

During 2007, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2007, interest revenue earned and credited to the general fund during 2007 amounted to \$169,312, including \$132,151 assigned from other funds of the City.

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

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

H. Inventories of Materials and Supplies

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

I. Prepayments

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2007, the City's capitalization threshold was \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

K. Compensated Absences

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

N. Fund Balance Reserves

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

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

O. Estimates

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

P. Contributions of Capital

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

Q. Net Assets

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2007, the City has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 had no effect on the financial statements of the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash with Fiscal Agent

At year-end, the City had \$18,265 on deposit with the Greene County Treasurer for permissive funds collected but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from the Greene Country Comprehensive Annual Financial Report for the year ended December 31, 2007. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all City deposits was \$(136,821), exclusive of the \$149,550 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, the entire bank balance of \$1,834 was covered by Federal Deposit Insurance Corporation.

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 3,355,044	\$ 3,355,044
Repurchase agreement	<u>149,550</u>	<u>149,550</u>
	<u>\$ 3,504,594</u>	<u>\$ 3,504,594</u>

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

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

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,355,044	95.73%
Repurchase agreement	<u>149,550</u>	<u>4.27%</u>
	<u>\$ 3,504,594</u>	<u>100.00%</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ (136,821)
Investments	3,504,594
Cash with fiscal agent	<u>18,265</u>
Total	<u>\$ 3,386,038</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,525,358
Business type activities	794,876
Agency fund	<u>65,804</u>
Total	<u>\$ 3,386,038</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>	
	<u>General</u>	<u>Total</u>
Capital Improvements	\$ 500,000	\$ 500,000
Nonmajor Special Revenue	<u>232</u>	<u>232</u>
Total	<u>\$ 500,232</u>	<u>\$ 500,232</u>

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 - PROPERTY TAXES

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

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

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2007 was \$17.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real property tax	\$ 154,895,990
Public utility tangible personal property	2,776,910
Tangible personal property	<u>1,159,163</u>
Total assessed valuation	<u>\$ 158,832,063</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to unearned revenue.

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 7 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2007, as well as intended to finance fiscal 2007 operations.

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

Governmental Activities:

Real and other taxes	\$ 2,212,681
Accounts	79,110
Due from other governments	439,320

Business-type Activities:

Accounts	417,522
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Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2007, was as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 369,451	\$ -	\$ -	\$ 369,451
Total capital assets, not being depreciated	<u>369,451</u>	<u>-</u>	<u>-</u>	<u>369,451</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	277,905	-	-	277,905
Buildings and improvements	3,060,801	-	-	3,060,801
Equipment	512,136	47,665	(5,500)	554,301
Vehicles	1,632,507	125,339	(99,985)	1,657,861
Infrastructure	<u>798,348</u>	<u>366,254</u>	<u>-</u>	<u>1,164,602</u>
Total capital assets, being depreciated	<u>6,281,697</u>	<u>539,258</u>	<u>(105,485)</u>	<u>6,715,470</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(204,734)	(10,299)	-	(215,033)
Buildings and improvements	(639,822)	(61,216)	-	(701,038)
Equipment	(341,075)	(24,924)	5,042	(360,957)
Vehicles	(1,010,047)	(102,105)	93,985	(1,018,167)
Infrastructure	<u>(32,316)</u>	<u>(58,621)</u>	<u>-</u>	<u>(90,937)</u>
Total accumulated depreciation	<u>(2,227,994)</u>	<u>(257,165)</u>	<u>99,027</u>	<u>(2,386,132)</u>
Total capital assets, being depreciated, net	<u>4,053,703</u>	<u>282,093</u>	<u>(6,458)</u>	<u>4,329,338</u>
Governmental activities capital assets, net	<u>\$ 4,423,154</u>	<u>\$ 282,093</u>	<u>\$ (6,458)</u>	<u>\$ 4,698,789</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 61,477
Security of persons and property	85,632
Transportation	<u>110,056</u>
Total depreciation expense - governmental activities	<u>\$ 257,165</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2007 was as follows:

<u>Business-type Activities:</u>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 585,715	\$ -	\$ -	\$ 585,715
Construction in progress	<u>151,890</u>	<u>234,989</u>	<u>-</u>	<u>386,879</u>
Total capital assets, not being depreciated	<u>737,605</u>	<u>234,989</u>	<u>-</u>	<u>972,594</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	29,958	-	-	29,958
Buildings and improvements	2,495,446	-	-	2,495,446
Utility structures in service	12,577,758	145,844	-	12,723,602
Machinery and equipment	258,529	20,289	-	278,818
Vehicles	<u>96,378</u>	<u>-</u>	<u>-</u>	<u>96,378</u>
Total capital assets, being depreciated	<u>15,458,069</u>	<u>166,133</u>	<u>-</u>	<u>15,624,202</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(19,023)	(1,498)	-	(20,521)
Buildings and improvements	(718,041)	(63,127)	-	(781,168)
Utility structures in service	(4,858,282)	(168,864)	-	(5,027,146)
Machinery and equipment	(61,592)	(22,050)	-	(83,642)
Vehicles	<u>(67,908)</u>	<u>(4,939)</u>	<u>-</u>	<u>(72,847)</u>
Total accumulated depreciation	<u>(5,724,846)</u>	<u>(260,478)</u>	<u>-</u>	<u>(5,985,324)</u>
Total capital assets, being depreciated, net	<u>9,733,223</u>	<u>(94,345)</u>	<u>-</u>	<u>9,638,878</u>
Business-type activities capital assets, net	<u>\$ 10,470,828</u>	<u>\$ 140,644</u>	<u>\$ -</u>	<u>\$ 10,611,472</u>

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

Business-Type activities:

Water	\$ 249,231
Waste Collection	<u>11,247</u>
Total depreciation expense - business-type activities	<u>\$ 260,478</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 - OTHER EMPLOYEE BENEFITS

All full-time City employees earn sick leave at the rate of 4.6 hours per pay, up to a limit of 120 days. Upon qualifying to retire under the Public Employees Retirement System, an employee who has unused accumulated sick leave of 75 days or more is eligible to be paid for these days up to a maximum of 45 days. An employee resigning can be paid for up to 20 days of accumulated sick leave. Police and fire employees retiring under the Ohio Police and Fire Pension Fund may receive one day paid for every three days accumulated up a maximum of 40 days. The total obligations for sick leave accrual for the City as a whole as of December 31, 2007 was \$134,669.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$89,025 at December 31, 2007.

The City provides a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded in the statement of net assets. During 2007, the amount decreased \$9,555 from a beginning year balance of \$233,249 to a year end balance of \$223,694.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2007, the following changes occurred in the governmental activities long-term obligations:

	Balance			Balance	Amounts
<u>Governmental Activities:</u>	<u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07</u>	<u>Due in</u>
					<u>One Year</u>
Compensated absences	\$ 205,948	\$ 88,648	\$ (104,141)	\$ 190,455	\$ 77,170
Total long-term obligations, governmental activities	<u>\$ 205,948</u>	<u>\$ 88,648</u>	<u>\$ (104,141)</u>	<u>\$ 190,455</u>	<u>\$ 77,170</u>

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2007, the following changes occurred in the business-type activities long-term obligations:

<u>Business-type Activities:</u>	Balance			Balance	Amounts
	<u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07</u>	<u>Due in</u>
					<u>One Year</u>
<u>Revenue Bonds</u>					
1982 5.00% Waterworks system	\$ 940,000	-	\$ (44,000)	\$ 896,000	\$ 46,000
<u>Ohio Public Works Commision Loan</u>					
1995 0.00% Elevated Water Storage Tank	237,500	-	(25,000)	212,500	25,000
<u>Other long-term obligations</u>					
Compensated absences	27,301	16,416	(10,478)	33,239	11,855
Total long-term obligations, business type activities	<u>\$ 1,204,801</u>	<u>\$ 16,416</u>	<u>\$ (79,478)</u>	<u>\$ 1,141,739</u>	<u>\$ 82,855</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 on the bonds are expected to require less than 31.67 percent of net revenues. The total principal and interest remaining to be paid on the Series 1982 water revenue bonds is \$1,267,360. Principal and interest paid for the current year and total customer net revenues were \$91,000 and \$287,338, respectively.

C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2007, follows:

Year Ending December 31,	<u>Revenue Bonds</u>			<u>OPWC Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 46,000	\$ 44,800	\$ 90,800	\$ 25,000	\$ -	\$ 25,000
2009	48,000	42,500	90,500	25,000	-	25,000
2010	50,000	40,100	90,100	25,000	-	25,000
2011	53,000	37,600	90,600	25,000	-	25,000
2012	56,000	34,950	90,950	25,000	-	25,000
2013 - 2017	322,000	130,210	452,210	87,500	-	87,500
2018 - 2021	321,000	41,200	362,200	-	-	-
	<u>\$ 896,000</u>	<u>\$ 371,360</u>	<u>\$ 1,267,360</u>	<u>\$ 212,500</u>	<u>\$ -</u>	<u>\$ 212,500</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 unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2007, the City's total debt margin was \$16,555,655 and the unvoted debt margin was \$8,672,000.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association (MVRMA), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a joint self-insurance pool for 20 member cities. The City pays an annual premium to MVRMA for property, crime, liability, boiler and machinery, and public official liability coverage. The agreement for formation of MVRMA provides that the organization will be self-sustaining through member premiums the purchase of excess insurance/reinsurance. During 2007, MVRMA's pre-occurrence retention limit for property was \$200,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a per-occurrence retention limit of \$1,000,000. After the retention limits are reached, excess insurance/reinsurance will cover up to the limits stated below.

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property Insurance	\$1,000,000,000	\$2,500
Earthquake	25,000,000	2,500
Flood	25,000,000	2,500
General Liability	10,000,000	2,500
Employment Practices and Public Officials Liability	10,000,000	2,500
Automobile Liability	10,000,000	2,500
Boiler and Machinery	100,000,000	2,500

The City belongs to the Ohio Municipal League Workers' Compensation Group Rating Program. Ohio Revised Code Section 4123.29 permits local government to group the experience of employers for workers' compensation rating purposes. For 2007, the City paid the Ohio Bureau of Workers' Compensation a premium rate of .020212 per \$1 of gross payroll for full-time employees and a premium rate of .207842 per \$1 of gross reimbursement for volunteers.

Full time employees are covered for private medical coverage. Payments are made to the carrier by the City on behalf of the employees at 100% of the premium. The current carrier for medical coverage is United Healthcare. The premium rate is age and gender sensitive and different for each employee depending on how many persons in their family are covered. Dental coverage is carried through Superior Dental Care. The premium rate is based on whether the employee is covered for family, employee plus one or single coverage. Life insurance is provided for the employee only. The current carrier for life insurance is Standard Life. The Life/AD&D insurance benefit is \$25,000. The monthly premium for 2007 was \$5.00 for January through September and \$5.00 for October through December per employee per month.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$153,825, \$172,644, and \$154,201, respectively; 88.30% has been contributed for 2007 and 100% has been contributed for 2006 and 2005.

B. Ohio Police and Fire Pension Fund

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - PENSION PLANS - (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% and 24.0% for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$97,550 and \$56,826 for the year ended December 31, 2007, \$85,706 and \$49,857 for the year ended December 31, 2006, and \$85,313 and \$44,464 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 80.49% for police officers and 78.84% for firefighters has been contributed for 2007 with the remainder being reported as a liability in the respective funds.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The City's actual employer contributions for 2007 which were used to fund post-employment benefits were \$61,121. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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

The Ohio Police and Fire Pension Fund (OP&F) provides post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by OP&F is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 6.75% of covered payroll was applied to the post-employment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2007 that were used to fund post-employment benefits were \$51,609 for police officers and \$22,209 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police officers and 10,563 for firefighters.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	General	Street	Police	Fire
Budget basis	\$ 92,767	\$ (33,005)	\$ 49,757	\$ (21,090)
Net adjustment for revenue accruals	(2,574)	7,719	3,749	10,675
Net adjustment for expenditure accruals	(13,324)	6,230	2,984	3,109
Net adjustment for other sources/uses	(9,418)	-	-	-
Adjustment for encumbrances	28,367	3,247	53,022	24,038
GAAP basis	\$ 95,818	\$ (15,809)	\$109,512	\$ 16,732

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 15 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2007.

B. Litigation

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

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2007, the City had the following contractual commitments outstanding related to the water construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through December 31, 2007</u>	<u>Remaining Contract Amount</u>
Lockwood, Jones & Beals, Inc.	\$ 340,145	\$ (110,635)	\$ 229,510
Boone Water Systems, Inc.	<u>283,284</u>	<u>(119,825)</u>	<u>163,459</u>
Total	<u>\$ 623,429</u>	<u>\$ (230,460)</u>	<u>\$ 392,969</u>

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (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, 2008. 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 2008 are as follows:

- The total net assets of the City increased \$1,012,787. Net assets of governmental activities increased \$358,253 or 4.80% over 2007 and net assets of business-type activities increased \$654,534 or 6.11% over 2007.
- General revenues accounted for \$3,142,527 of total governmental activities revenue. Program specific revenues accounted for \$653,958 or 17.23% of total governmental activities revenue.
- The City had \$3,438,232 in expenses related to governmental activities; \$653,958 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,784,274 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$3,142,527.
- The general fund had revenues of \$1,273,655 in 2008. This represents an increase of \$10,678 from 2007. The expenditures and other financing uses of the general fund, which totaled \$1,137,596 in 2008, decreased \$29,563 from 2007. The net increase in fund balance for the general fund was \$136,059 or 19.43%.
- The street fund had revenues and other financing sources of \$359,604 in 2008. The expenditures of the street fund, totaled \$253,169 in 2008. The net increase in fund balance for the street fund was \$106,435 or 122.96%.
- The police fund had revenues of \$1,397,971 in 2008. The expenditures of the police fund, totaled \$1,435,850 in 2008. The net decrease in fund balance for the police fund was \$37,879 or 39.99%.
- The fire fund had revenues of \$644,105 in 2008. The expenditures of the fire fund, totaled \$683,364 in 2008. The net decrease in fund balance for the fire fund was \$39,259 or 164.63%.
- The capital improvement fund had other financing sources of \$500,000 in 2008. The expenditures of the capital improvement fund, totaled \$304,395 in 2008. The net increase in fund balance for the capital improvement fund was \$195,605 or 12.51%.
- Net assets for the business-type activities, which are made up of the Water and Waste collection enterprise funds, increased in 2008 by \$654,534.
- In the general fund, the actual revenues and other financing sources came in \$59,822 higher than they were in the final budget and \$91,437 higher than in the original budget. Actual expenditures and other financing uses were \$43,363 less than the amount in the final budget and \$57,843 more than the original budget.

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 91-117 of this report.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2008 compared to 2007.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>						
Current and other assets	\$ 5,523,161	\$ 5,325,130	\$ 1,568,935	\$ 1,322,509	\$ 7,092,096	\$ 6,647,639
Capital assets	<u>4,667,913</u>	<u>4,698,789</u>	<u>10,977,736</u>	<u>10,611,472</u>	<u>15,645,649</u>	<u>15,310,261</u>
Total assets	<u>10,191,074</u>	<u>10,023,919</u>	<u>12,546,671</u>	<u>11,933,981</u>	<u>22,737,745</u>	<u>21,957,900</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	196,645	190,455	1,079,412	1,141,739	1,276,057	1,332,194
Other liabilities	<u>2,171,576</u>	<u>2,368,864</u>	<u>100,857</u>	<u>80,374</u>	<u>2,272,433</u>	<u>2,449,238</u>
Total liabilities	<u>2,368,221</u>	<u>2,559,319</u>	<u>1,180,269</u>	<u>1,222,113</u>	<u>3,548,490</u>	<u>3,781,432</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	4,667,913	4,698,789	9,940,236	9,502,972	14,608,149	14,201,761
Restricted	2,228,497	1,957,880	-	-	2,228,497	1,957,880
Unrestricted	<u>926,443</u>	<u>807,931</u>	<u>1,426,166</u>	<u>1,208,896</u>	<u>2,352,609</u>	<u>2,016,827</u>
Total net assets	<u>\$ 7,822,853</u>	<u>\$ 7,464,600</u>	<u>\$ 11,366,402</u>	<u>\$ 10,711,868</u>	<u>\$ 19,189,255</u>	<u>\$ 18,176,468</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$19,189,255. At year-end, net assets were \$7,822,853 and \$11,366,402 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 68.81% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, utility structures in service, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$4,667,913 and \$9,940,236 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, \$2,228,497, 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 \$926,443 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

The table below shows the comparative analysis of changes in net assets for fiscal year 2008 compared to 2007.

	Change in Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for services	\$ 205,944	\$ 249,020	\$ 2,002,246	\$ 1,970,807	\$ 2,208,190	\$ 2,219,827
Operating grants and contributions	448,014	333,009	-	-	448,014	333,009
Capital grants and contributions	-	188,526	63,440	79,594	63,440	268,120
Total program revenues	<u>653,958</u>	<u>770,555</u>	<u>2,065,686</u>	<u>2,050,401</u>	<u>2,719,644</u>	<u>2,820,956</u>
General revenues:						
Property taxes	2,226,657	2,232,038	-	-	2,226,657	2,232,038
Unrestricted grants and entitlements	692,773	649,764	475,194	155,643	1,167,967	805,407
Investment earnings	97,453	169,408	-	-	97,453	169,408
Miscellaneous	125,644	130,030	14,171	29,456	139,815	159,486
Total general revenues	<u>3,142,527</u>	<u>3,181,240</u>	<u>489,365</u>	<u>185,099</u>	<u>3,631,892</u>	<u>3,366,339</u>
Total revenues	<u>3,796,485</u>	<u>3,951,795</u>	<u>2,555,051</u>	<u>2,235,500</u>	<u>6,351,536</u>	<u>6,187,295</u>
Expenses:						
General government	467,050	470,239	-	-	467,050	470,239
Security of persons and property	2,416,513	2,265,928	-	-	2,416,513	2,265,928
Public health and welfare	-	335	-	-	-	335
Transportation	494,826	477,609	-	-	494,826	477,609
Community environment	44,865	38,653	-	-	44,865	38,653
Leisure time activity	14,978	11,883	-	-	14,978	11,883
Water	-	-	1,429,190	1,338,533	1,429,190	1,338,533
Waste collection	-	-	471,327	338,788	471,327	338,788
Total expenses	<u>3,438,232</u>	<u>3,264,647</u>	<u>1,900,517</u>	<u>1,677,321</u>	<u>5,338,749</u>	<u>4,941,968</u>
Change in net assets	358,253	687,148	654,534	558,179	1,012,787	1,245,327
Net assets at beginning of year	<u>7,464,600</u>	<u>6,777,452</u>	<u>10,711,868</u>	<u>10,153,689</u>	<u>18,176,468</u>	<u>16,931,141</u>
Net assets at end of year	<u>\$ 7,822,853</u>	<u>\$ 7,464,600</u>	<u>\$ 11,366,402</u>	<u>\$ 10,711,868</u>	<u>\$ 19,189,255</u>	<u>\$ 18,176,468</u>

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities

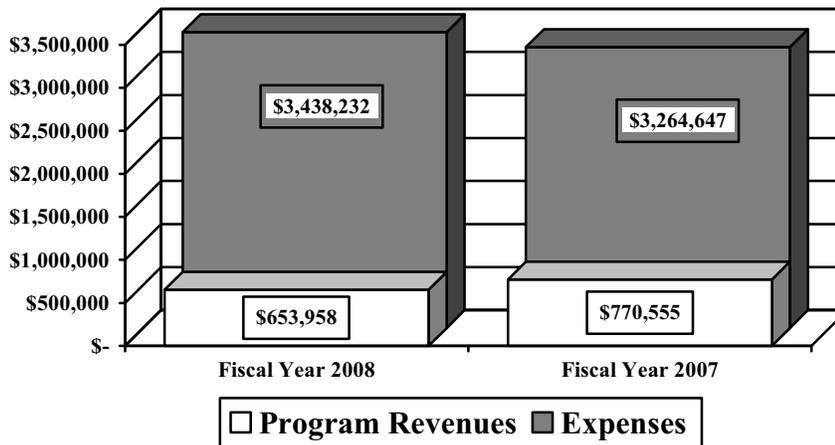
Governmental activities net assets increased \$358,253 in 2008. Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,416,513 or 70.28% of the total expenses of the City. Security of persons and property expenses were partially funded by \$119,139 in direct charges to users of the services. General government expenses totaled \$467,050. General government expenses were partially funded by \$44,550 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$448,014 in operating grants and contributions. These revenues are restricted to a particular program or purpose \$384,983 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,142,527, and amounted to 82.77% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,226,657. 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 \$692,773.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements for 2008 compared to 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF BELLBROOK, OHIO

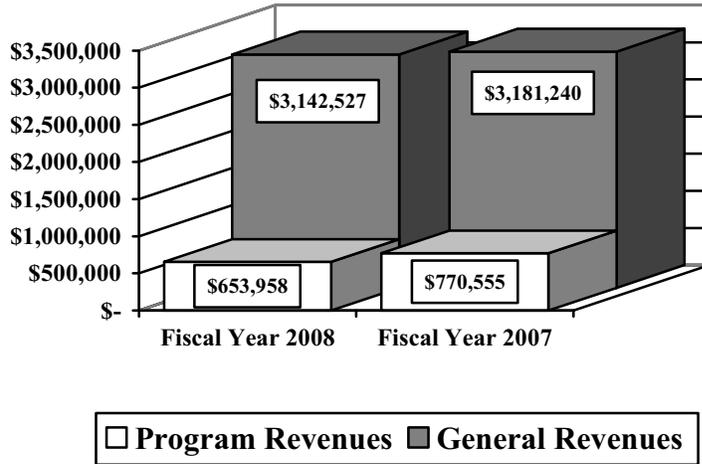
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Governmental Activities

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 467,050	\$ 422,500	\$ 470,239	\$ 223,380
Security of persons and property	2,416,513	2,234,343	2,265,928	2,114,802
Public health and welfare	-	-	335	335
Transportation	494,826	72,795	477,609	113,546
Community environment	44,865	39,658	38,653	30,146
Leisure time activity	14,978	14,978	11,883	11,883
Total	\$ 3,438,232	\$ 2,784,274	\$ 3,264,647	\$ 2,494,092

The dependence upon general revenues for governmental activities is apparent, with 80.98% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2008 and 2007.

Governmental Activities – General and Program Revenues

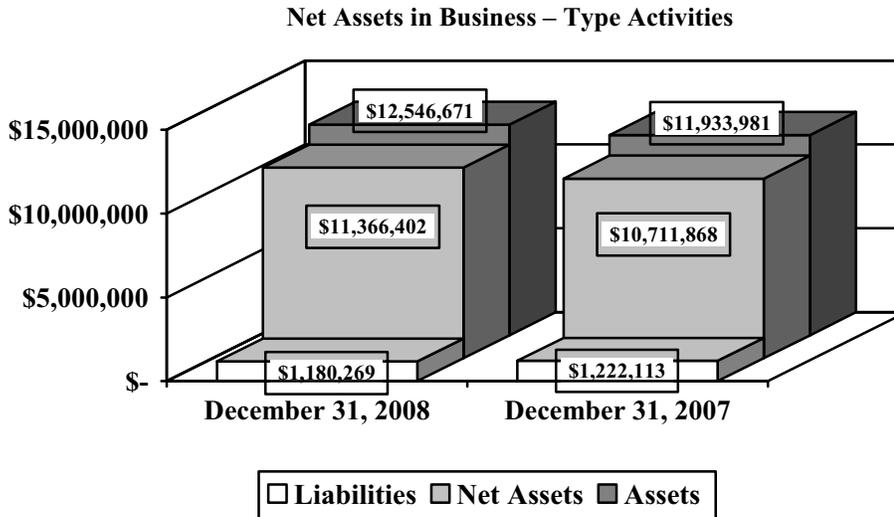


CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,065,686 and expenses of \$1,900,517 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 76-77) reported a combined fund balance of \$2,881,658 which is \$372,496 above last year's total of \$2,509,162. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and non-major governmental funds.

	Fund Balances (Deficit) 12/31/08	Fund Balances 12/31/07	Increase (Decrease)
Major Funds:			
General	\$ 836,347	\$ 700,288	\$ 136,059
Street	192,993	86,558	106,435
Police	56,837	94,716	(37,879)
Fire	(15,412)	23,847	(39,259)
Capital improvement	1,759,610	1,564,005	195,605
Other nonmajor governmental funds	51,283	39,748	11,535
Total	\$ 2,881,658	\$ 2,509,162	\$ 372,496

CITY OF BELLBROOK, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

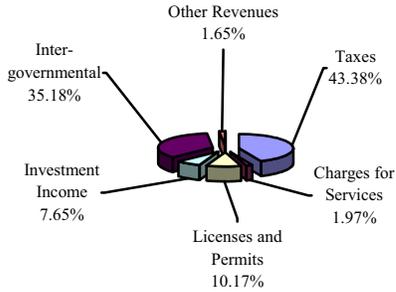
General Fund

The City’s general fund balance increased \$136,059. The table that follows assists in illustrating the revenues of the general fund.

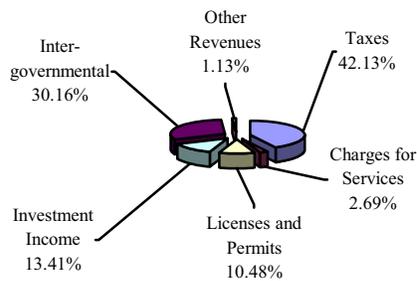
	<u>2008 Amount</u>	<u>2007 Amount</u>	<u>Percentage Change</u>
Revenues			
Taxes	\$ 552,500	\$ 532,182	3.82 %
Charges for services	25,092	33,973	(26.14) %
Licenses and permits	129,529	132,300	(2.09) %
Investment income	97,453	169,312	(42.44) %
Intergovernmental	448,047	380,904	17.63 %
Other	<u>21,034</u>	<u>14,306</u>	47.03 %
Total	<u>\$ 1,273,655</u>	<u>\$ 1,262,977</u>	0.85 %

During 2008 the City increased total revenues by .85%. The 42.44% decrease in investment income was primarily due to the declining interest rates in 2008. The 17.63% increase in intergovernmental was due to additional revenue form the State of Ohio for wireless E911 purposes

Revenues – Fiscal Year 2008



Revenues – Fiscal Year 2007



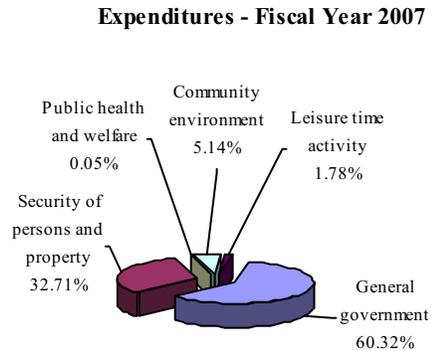
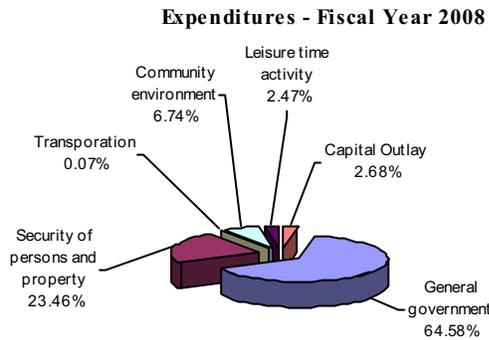
The table that follows assists in illustrating the expenditures of the general fund.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 392,410	\$ 402,260	(2.45)
Security of persons and property	142,537	218,152	(34.66)
Public health and welfare	-	335	(100.00)
Community environment	40,938	34,297	19.36
Transportation	449	-	100.00
Leisure time activity	14,978	11,883	26.05
Capital outlay	<u>16,284</u>	<u>-</u>	100.00
Total	<u>\$ 607,596</u>	<u>\$ 666,927</u>	(8.90)

During 2008 the City decreased total expenditures by 8.90%. The second largest expenditure, security of persons and property, decreased 34.66%, which is primarily attributed to the shifting of more police expenses to the police fund. The expenditures for capital outlay increased due to certain capital purchases being charged to the general fund rather than the capital improvement fund.



Street Fund

The street fund had revenues and other financing sources of \$359,604 in 2008. The expenditures of the street fund, totaled \$253,169 in 2008. The net increase in fund balance for the street fund was \$106,435 or 122.96%.

Police Fund

The police fund had revenues of \$1,397,971 in 2008. The expenditures of the police fund, totaled \$1,435,850 in 2008. The net decrease in fund balance for the police fund was \$37,879 or 39.99%.

Fire Fund

The fire fund had revenues of \$644,105 in 2008. The expenditures of the fire fund, totaled \$683,364 in 2008. The

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

net decrease in fund balance for the fire fund was \$39,259 or 164.63%.

Capital Improvement Fund

The capital improvement fund had other financing sources of \$500,000 in 2008. The expenditures of the capital improvement fund, totaled \$304,395 in 2008. The net increase in fund balance for the capital improvement fund was \$195,605 or 12.51%.

Proprietary Funds

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

Budgeting Highlights

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

Budgetary information is presented for the general fund, street fund, police fund and fire fund. In the general fund, the actual revenues and other financing sources came in \$59,822 higher than they were in the final budget and actual expenditures and other financing uses were \$43,363 less than the amount in the final budget. Original budgeted expenditures were \$101,206 lower than the final budgeted expenditures. Original budgeted revenues were \$31,615 lower than the final budgeted revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the City had \$15,645,649 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$4,667,913 was reported in governmental activities and \$10,977,736 was reported in business-type activities. See Note 8 for further description of capital assets. The following table shows fiscal 2008 balances compared to 2007:

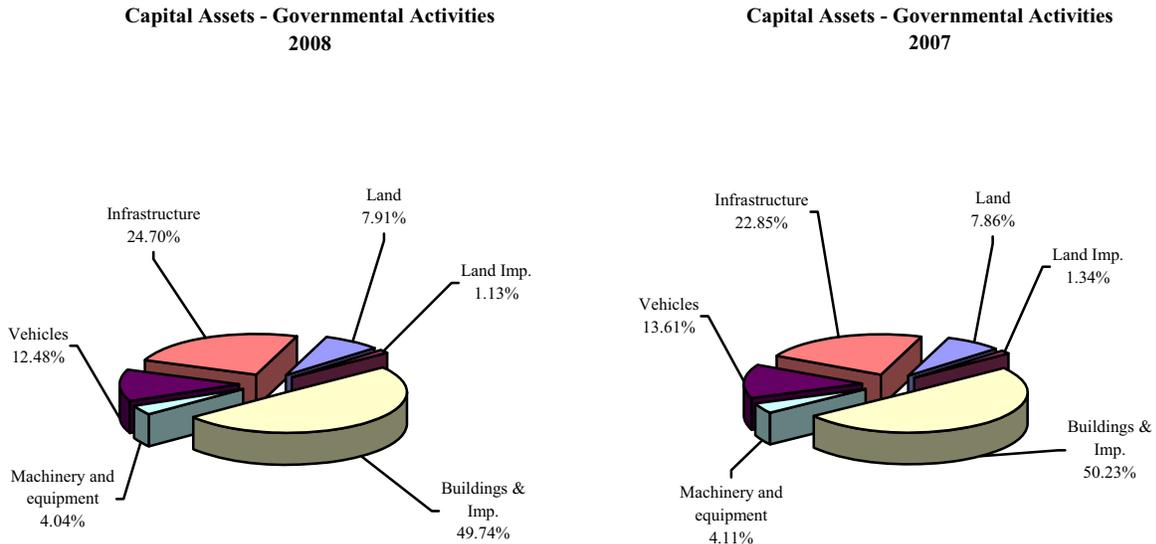
CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 369,451	\$ 369,451	\$ 585,715	\$ 585,715	\$ 955,166	\$ 955,166
Construction in progress	-	-	635,081	386,879	635,081	386,879
Land improvements	52,544	62,872	8,173	9,437	60,717	72,309
Buildings and improvements	2,321,854	2,359,763	1,658,666	1,714,278	3,980,520	4,074,041
Machinery and equipment	188,401	193,344	180,545	195,176	368,946	388,520
Vehicles	582,786	639,694	37,335	23,531	620,121	663,225
Infrastructure	1,152,877	1,073,665	-	-	1,152,877	1,073,665
Utility structures in service	-	-	7,872,221	7,696,456	7,872,221	7,696,456
Totals	\$ 4,667,913	\$ 4,698,789	\$ 10,977,736	\$ 10,611,472	\$ 15,645,649	\$ 15,310,261

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

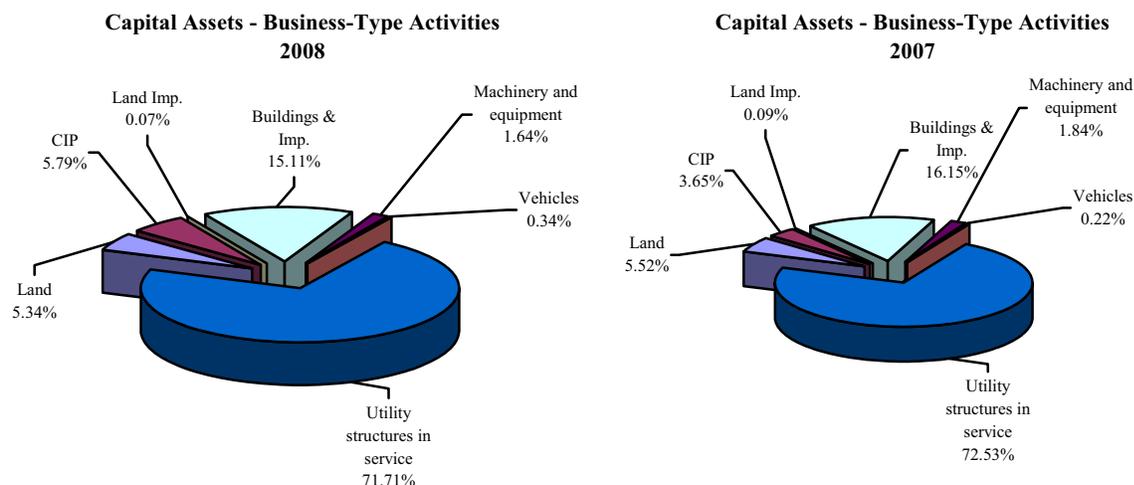


This is the City's fifth year of reporting infrastructure. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 24.70% of the City's total governmental capital assets.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2008.



The City's largest business-type capital asset category is utility structures in service which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility structures in service (cost less accumulated depreciation) represents approximately 71.71% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term debt outstanding at December 31, 2008 and 2007:

	Business-type Activities	
	2008	2007
Revenue bonds	\$ 850,000	\$ 896,000
OPWC loans	187,500	212,500
Total long-term obligations	<u>\$1,037,500</u>	<u>\$1,108,500</u>

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

Economic Conditions and Outlook

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

The largest source of revenue is 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.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

In 2008, there were two active housing developments underway. New single-family house sales have slowed considerably. The current economic conditions and the mortgage market problems have had a negative affect on the housing market. The only bright spot in the housing market is the 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.

Police and fire department operations are funded by their own property tax levies with major capital costs paid from the capital improvement fund. Service Department costs are funded by the water and street funds with some capital construction costs such as street reconstruction paid from the capital improvement fund.

The City's cash balances in the general fund and the capital Improvement Fund (which is funded wholly by transfers from the general fund) have steadily increased since 2001: \$524,374 (2001); \$598,965 (2002); \$730,908 (2003); \$1,108,718 (2004); \$1,466,583 (2005); \$2,023,521 (2006); \$2,293,766 (2007); \$2,508,801 (2008). This has resulted from careful planning as we prepare for continuing reductions in State funding and additional investment in our infrastructure, especially neighborhood streets.

Contacting the City's Financial Management

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

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,862,367	\$ 915,422	\$ 3,777,789
Cash and cash equivalents with fiscal agents	44,861	-	44,861
Receivables:			
Real and other taxes	2,028,305	-	2,028,305
Accounts	75,476	447,015	522,491
Due from other governments	436,045	105,571	541,616
Prepayments	28,324	27,258	55,582
Materials and supplies inventory.	47,783	73,669	121,452
Capital assets:			
Land	369,451	585,715	955,166
Construction in progress.	-	635,081	635,081
Depreciable capital assets, net	4,298,462	9,756,940	14,055,402
Total capital assets, net	<u>4,667,913</u>	<u>10,977,736</u>	<u>15,645,649</u>
 Total assets.	 <u>10,191,074</u>	 <u>12,546,671</u>	 <u>22,737,745</u>
Liabilities:			
Accounts payable.	6,109	18,062	24,171
Contracts payable.	-	7,362	7,362
Accrued wages and benefits	100,269	21,674	121,943
Due to other governments	134,536	25,426	159,962
Unearned revenue.	1,930,662	-	1,930,662
Accrued interest payable.	-	28,333	28,333
Long-term liabilities:			
Due within one year	85,876	90,287	176,163
Due in more than one year	110,769	989,125	1,099,894
 Total liabilities	 <u>2,368,221</u>	 <u>1,180,269</u>	 <u>3,548,490</u>
Net assets:			
Invested in capital assets, net of related debt	4,667,913	9,940,236	14,608,149
Restricted for:			
Capital improvement	1,759,610	-	1,759,610
Street	265,819	-	265,819
Police	92,660	-	92,660
Fire	46,320	-	46,320
Other purposes.	64,088	-	64,088
Unrestricted	926,443	1,426,166	2,352,609
 Total net assets.	 <u>\$ 7,822,853</u>	 <u>\$ 11,366,402</u>	 <u>\$ 19,189,255</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 467,050	\$ 44,550	\$ -	\$ -
Security of persons and property	2,416,513	119,139	63,031	-
Transportation	494,826	37,048	384,983	-
Community environment	44,865	5,207	-	-
Leisure time activity	14,978	-	-	-
Total governmental activities	<u>3,438,232</u>	<u>205,944</u>	<u>448,014</u>	<u>-</u>
Business-type Activities:				
Water	1,429,190	1,548,078	-	63,440
Waste collection	471,327	454,168	-	-
Total business-type activities	<u>1,900,517</u>	<u>2,002,246</u>	<u>-</u>	<u>63,440</u>
Total primary government	<u>\$ 5,338,749</u>	<u>\$ 2,208,190</u>	<u>\$ 448,014</u>	<u>\$ 63,440</u>

General Revenues:

Property taxes levied for:

General purposes	
Fire and rescue	
Police	
Police pension	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (422,500)	\$ -	\$ (422,500)
(2,234,343)	-	(2,234,343)
(72,795)	-	(72,795)
(39,658)	-	(39,658)
(14,978)	-	(14,978)
<u>(2,784,274)</u>	<u>-</u>	<u>(2,784,274)</u>
-	182,328	182,328
-	(17,159)	(17,159)
-	165,169	165,169
<u>(2,784,274)</u>	<u>165,169</u>	<u>(2,619,105)</u>
556,470	-	556,470
435,558	-	435,558
1,192,819	-	1,192,819
41,810	-	41,810
692,773	475,194	1,167,967
97,453	-	97,453
125,644	14,171	139,815
3,142,527	489,365	3,631,892
358,253	654,534	1,012,787
<u>7,464,600</u>	<u>10,711,868</u>	<u>18,176,468</u>
<u>\$ 7,822,853</u>	<u>\$ 11,366,402</u>	<u>\$ 19,189,255</u>

CITY OF BELLBROOK, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	<u>General</u>	<u>Street</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 859,315	\$ 73,173	\$ 118,199
Receivables (net of allowance for uncollectibles):			
Property and other taxes.	515,715	-	1,088,207
Accounts	28,318	-	126
Due from other governments	144,561	138,815	91,718
Prepayments.	5,426	1,737	15,526
Materials and supplies inventory	-	39,120	6,930
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	44,861	-
Total assets	<u>\$ 1,553,335</u>	<u>\$ 297,706</u>	<u>\$ 1,320,706</u>
Liabilities:			
Accounts payable	\$ 2,892	\$ -	\$ 1,011
Accrued wages and benefits.	14,862	7,676	53,075
Due to other governments.	78,158	4,941	30,289
Deferred revenue	130,000	92,096	142,792
Unearned revenue	491,076	-	1,036,702
Total liabilities	<u>716,988</u>	<u>104,713</u>	<u>1,263,869</u>
Fund Balances:			
Reserved for encumbrances.	85,317	-	-
Reserved for prepayments	5,426	1,737	15,526
Reserved for materials and supplies inventory	-	39,120	6,930
Reserved for restricted assets.	-	44,861	-
Unreserved, undesignated (deficit), reported in:			
General fund.	745,604	-	-
Special revenue funds.	-	107,275	34,381
Capital projects funds.	-	-	-
Total fund balances (deficit).	<u>836,347</u>	<u>192,993</u>	<u>56,837</u>
Total liabilities and fund balances.	<u>\$ 1,553,335</u>	<u>\$ 297,706</u>	<u>\$ 1,320,706</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 9,220	\$ 1,759,403	\$ 43,057	\$ 2,862,367
384,383	-	40,000	2,028,305
47,032	-	-	75,476
41,878	-	19,073	436,045
5,308	207	120	28,324
1,733	-	-	47,783
-	-	-	44,861
<u>\$ 489,554</u>	<u>\$ 1,759,610</u>	<u>\$ 102,250</u>	<u>\$ 5,523,161</u>
\$ 2,152	\$ -	\$ 54	\$ 6,109
24,656	-	-	100,269
21,148	-	-	134,536
92,234	-	12,805	469,927
364,776	-	38,108	1,930,662
<u>504,966</u>	<u>-</u>	<u>50,967</u>	<u>2,641,503</u>
-	19,135	-	104,452
5,308	207	120	28,324
1,733	-	-	47,783
-	-	-	44,861
-	-	-	745,604
(22,453)	-	51,163	170,366
-	1,740,268	-	1,740,268
<u>(15,412)</u>	<u>1,759,610</u>	<u>51,283</u>	<u>2,881,658</u>
<u>\$ 489,554</u>	<u>\$ 1,759,610</u>	<u>\$ 102,250</u>	<u>\$ 5,523,161</u>

CITY OF BELLBROOK, OHIO

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Total governmental fund balances		\$	2,881,658
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,667,913
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	97,643	
Accounts receivable		30,749	
Intergovernmental receivable		<u>341,535</u>	
Total			469,927
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.			<u>(196,645)</u>
Net assets of governmental activities		\$	<u><u>7,822,853</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Street</u>	<u>Police</u>
Revenues:			
Property and other taxes	\$ 552,500	\$ -	\$ 1,186,175
Charges for services	25,092	-	-
Licenses and permits	129,529	-	-
Intergovernmental	448,047	325,012	208,606
Investment income	97,453	-	-
Other	21,034	4,592	3,190
Total revenues	<u>1,273,655</u>	<u>329,604</u>	<u>1,397,971</u>
Expenditures:			
Current:			
General government	392,410	-	-
Security of persons and property	142,537	-	1,435,850
Transportation	449	253,169	-
Community environment	40,938	-	-
Leisure time activity	14,978	-	-
Capital outlay	16,284	-	-
Total expenditures	<u>607,596</u>	<u>253,169</u>	<u>1,435,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>666,059</u>	<u>76,435</u>	<u>(37,879)</u>
Other financing sources (uses):			
Transfers in	-	30,000	-
Transfers out	(530,000)	-	-
Total other financing sources (uses)	<u>(530,000)</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	136,059	106,435	(37,879)
Fund balances			
at beginning of year	<u>700,288</u>	<u>86,558</u>	<u>94,716</u>
Fund balances (deficit) at end of year	<u>\$ 836,347</u>	<u>\$ 192,993</u>	<u>\$ 56,837</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Fire</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 432,634	\$ -	\$ 41,469	\$ 2,212,778
117,616	-	766	143,474
-	-	37,048	166,577
88,061	-	48,900	1,118,626
-	-	130	97,583
5,794	-	14	34,624
<u>644,105</u>	<u>-</u>	<u>128,327</u>	<u>3,773,662</u>
-	-	914	393,324
683,364	-	51,684	2,313,435
-	-	64,194	317,812
-	-	-	40,938
-	-	-	14,978
-	304,395	-	320,679
<u>683,364</u>	<u>304,395</u>	<u>116,792</u>	<u>3,401,166</u>
<u>(39,259)</u>	<u>(304,395)</u>	<u>11,535</u>	<u>372,496</u>
-	500,000	-	530,000
-	-	-	(530,000)
<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
(39,259)	195,605	11,535	372,496
23,847	1,564,005	39,748	2,509,162
<u>\$ (15,412)</u>	<u>\$ 1,759,610</u>	<u>\$ 51,283</u>	<u>\$ 2,881,658</u>

CITY OF BELLBROOK, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds \$ 372,496

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

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

Capital asset additions	\$	241,420	
Current year depreciation		<u>(270,874)</u>	
Total			(29,454)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net assets. (1,422)

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

Property taxes		13,879	
Charges for services		503	
Intergovernmental revenue		<u>8,441</u>	
Total			22,823

Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (6,190)

Change in net assets of governmental activities \$ 358,253

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 513,244	\$ 526,817	\$ 552,500	\$ 25,683
Charges for services	28,981	29,748	31,198	1,450
Licenses and permits	119,860	123,030	129,028	5,998
Intergovernmental	424,695	435,926	457,178	21,252
Investment income	90,529	92,923	97,453	4,530
Other	11,446	11,748	12,321	573
Total revenues.	1,188,755	1,220,192	1,279,678	59,486
Expenditures:				
Current:				
General government	456,827	495,992	479,211	16,781
Security of persons and property	144,221	156,586	151,288	5,298
Transportation	462	502	485	17
Community environment	41,548	45,110	43,584	1,526
Leisure time activity	15,405	16,726	16,160	566
Capital outlay	16,751	18,187	17,572	615
Total expenditures	675,214	733,103	708,300	24,803
Excess (deficiency) of revenues over (under) expenditures	513,541	487,089	571,378	84,289
Other financing sources (uses):				
Sale of capital assets	6,718	6,896	7,232	336
Transfers out	(505,243)	(548,560)	(530,000)	18,560
Total other financing sources (uses)	(498,525)	(541,664)	(522,768)	18,896
Net change in fund balance	15,016	(54,575)	48,610	103,185
Fund balance at beginning of year	691,556	691,556	691,556	-
Prior year encumbrances appropriated	28,367	28,367	28,367	-
Fund balance at end of year.	\$ 734,939	\$ 665,348	\$ 768,533	\$ 103,185

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 259,188	\$ 259,188	\$ 295,787	\$ 36,599
Other	4,024	4,024	4,592	568
Total revenues.	<u>263,212</u>	<u>263,212</u>	<u>300,379</u>	<u>37,167</u>
Expenditures:				
Current:				
Transportation	246,947	296,347	270,438	25,909
Total expenditures	<u>246,947</u>	<u>296,347</u>	<u>270,438</u>	<u>25,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,265</u>	<u>(33,135)</u>	<u>29,941</u>	<u>63,076</u>
Other financing sources (uses):				
Transfers in	26,288	26,288	30,000	3,712
Total other financing sources (uses)	<u>26,288</u>	<u>26,288</u>	<u>30,000</u>	<u>3,712</u>
Net change in fund balance	42,553	(6,847)	59,941	66,788
Fund balance at beginning of year	9,016	9,016	9,016	-
Prior year encumbrances appropriated	<u>3,247</u>	<u>3,247</u>	<u>3,247</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 54,816</u>	<u>\$ 5,416</u>	<u>\$ 72,204</u>	<u>\$ 66,788</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 1,140,110	\$ 1,176,987	\$ 1,187,585	\$ 10,598
Intergovernmental	202,098	208,636	210,514	1,878
Other	2,942	3,037	3,064	27
Total revenues.	<u>1,345,150</u>	<u>1,388,660</u>	<u>1,401,163</u>	<u>12,503</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,418,847</u>	<u>1,433,247</u>	<u>1,419,755</u>	<u>13,492</u>
Total expenditures	<u>1,418,847</u>	<u>1,433,247</u>	<u>1,419,755</u>	<u>13,492</u>
Net change in fund balance	(73,697)	(44,587)	(18,592)	25,995
Fund balance at beginning of year	80,770	80,770	80,770	-
Prior year encumbrances appropriated	<u>53,022</u>	<u>53,022</u>	<u>53,022</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 60,095</u>	<u>\$ 89,205</u>	<u>\$ 115,200</u>	<u>\$ 25,995</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 437,427	\$ 443,992	\$ 432,634	\$ (11,358)
Charges for services	117,623	119,388	116,334	(3,054)
Intergovernmental	93,081	94,478	92,061	(2,417)
Other	5,869	5,957	5,805	(152)
Total revenues.	<u>654,000</u>	<u>663,815</u>	<u>646,834</u>	<u>(16,981)</u>
Expenditures:				
Current:				
Security of persons and property	671,038	683,488	673,464	10,024
Total expenditures	<u>671,038</u>	<u>683,488</u>	<u>673,464</u>	<u>10,024</u>
Net change in fund balance	(17,038)	(19,673)	(26,630)	(6,957)
Fund balance at beginning of year	10,459	10,459	10,459	-
Prior year encumbrances appropriated	<u>24,038</u>	<u>24,038</u>	<u>24,038</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 17,459</u>	<u>\$ 14,824</u>	<u>\$ 7,867</u>	<u>\$ (6,957)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2008

	Business-type Activities -Enterprise Funds		
	Water	Waste Collection	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 880,487	\$ 34,935	\$ 915,422
Receivables (net of allowance for uncollectibles):			
Accounts	435,581	11,434	447,015
Due from other governments	67,406	38,165	105,571
Interfund receivable	-	-	-
Prepayments	27,258	-	27,258
Materials and supplies inventory	73,669	-	73,669
Total current assets	1,484,401	84,534	1,568,935
Noncurrent assets:			
Capital assets:			
Land	585,715	-	585,715
Construction in progress	635,081	-	635,081
Depreciable capital assets, net	9,671,954	84,986	9,756,940
Total capital assets	10,892,750	84,986	10,977,736
Total assets	12,377,151	169,520	12,546,671
Liabilities:			
Current liabilities:			
Accounts payable	5,562	12,500	18,062
Contracts payable	7,362	-	7,362
Accrued wages and benefits	21,674	-	21,674
Compensated absences	17,287	-	17,287
Due to other governments	25,312	114	25,426
Current portion of OPWC loans	25,000	-	25,000
Current portion of revenue bonds	48,000	-	48,000
Accrued interest payable	28,333	-	28,333
Total current liabilities	178,530	12,614	191,144
Long-term liabilities:			
Revenue bonds	802,000	-	802,000
OPWC loans	162,500	-	162,500
Compensated absences	24,625	-	24,625
Total long-term liabilities	989,125	-	989,125
Total liabilities	1,167,655	12,614	1,180,269
Net assets:			
Invested in capital assets, net of related debt	9,855,250	84,986	9,940,236
Unrestricted	1,354,246	71,920	1,426,166
Total net assets	\$ 11,209,496	\$ 156,906	11,366,402

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Operating revenues:			
Charges for services	\$ 1,548,078	\$ 454,168	\$ 2,002,246
Other	13,506	665	14,171
Total operating revenues	<u>1,561,584</u>	<u>454,833</u>	<u>2,016,417</u>
Operating expenses:			
Personal services	797,215	38,676	835,891
Contract services	252,614	419,789	672,403
Materials and supplies	75,412	874	76,286
Depreciation	257,345	11,278	268,623
Other	3,338	710	4,048
Total operating expenses.	<u>1,385,924</u>	<u>471,327</u>	<u>1,857,251</u>
Operating income (loss)	<u>175,660</u>	<u>(16,494)</u>	<u>159,166</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	437,029	38,165	475,194
Interest expense and fiscal charges	(43,266)	-	(43,266)
Total nonoperating revenues (expenses)	<u>393,763</u>	<u>38,165</u>	<u>431,928</u>
Income before contributions.	569,423	21,671	591,094
Capital contributions	63,440	-	63,440
Changes in net assets	632,863	21,671	654,534
Net assets at beginning of year	<u>10,576,633</u>	<u>135,235</u>	<u>10,711,868</u>
Net assets at end of year.	<u>\$ 11,209,496</u>	<u>\$ 156,906</u>	<u>\$ 11,366,402</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,522,245	\$ 450,508	\$ 1,972,753
Cash received from other operations	13,506	665	14,171
Cash payments for personal services	(782,949)	(38,617)	(821,566)
Cash payments for contract services	(254,340)	(407,289)	(661,629)
Cash payments for materials and supplies	(67,999)	(1,584)	(69,583)
Cash payments for other expenses	(3,338)	-	(3,338)
Net cash provided by operating activities.	<u>427,125</u>	<u>3,683</u>	<u>430,808</u>
Cash flows from noncapital financing activities:			
Cash received from transfers in	216,438	1,806	218,244
Cash payments for transfers out.	(216,438)	(1,806)	(218,244)
Cash received from grants.	<u>369,623</u>	<u>-</u>	<u>369,623</u>
Net cash provided by noncapital financing activities	<u>369,623</u>	<u>-</u>	<u>369,623</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(564,085)	-	(564,085)
Principal retirement on revenue bonds	(46,000)	-	(46,000)
Principal retirement on OPWC loans.	(25,000)	-	(25,000)
Interest and fiscal charges.	<u>(44,800)</u>	<u>-</u>	<u>(44,800)</u>
Net cash used in capital and related financing activities	<u>(679,885)</u>	<u>-</u>	<u>(679,885)</u>
Net increase in cash and cash equivalents.	116,863	3,683	120,546
Cash and cash equivalents at beginning of year . . .	763,624	31,252	794,876
Cash and cash equivalents at end of year.	<u><u>\$ 880,487</u></u>	<u><u>\$ 34,935</u></u>	<u><u>\$ 915,422</u></u>

- - continued

CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 175,660	\$ (16,494)	\$ 159,166
Adjustments:			
Depreciation	257,345	11,278	268,623
Changes in assets and liabilities:			
Increase in accounts receivable.	(25,833)	(3,660)	(29,493)
Decrease in materials and supplies inventory.	7,893	-	7,893
Decrease in prepayments.	1,291	-	1,291
Increase (decrease) in accounts payable	(6,585)	12,500	5,915
Increase in accrued wages and benefits.	5,765	-	5,765
Increase in due to other governments	2,916	59	2,975
Increase in compensated absences payable	8,673	-	8,673
Net cash provided by operating activities	<u>\$ 427,125</u>	<u>\$ 3,683</u>	<u>\$ 430,808</u>

The Water fund received \$63,440 in capital contributions from developers.

During 2008, the water funds purchased capital assets on account of \$7,362.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2008

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 27,173
Receivables:	
Accounts.	<u>60</u>
Total assets.	<u>\$ 27,233</u>
Liabilities:	
Accounts payable.	\$ 60
Due to others	<u>27,173</u>
Total liabilities	<u>\$ 27,233</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

Insurance Purchasing Pool

The Miami Valley Risk Management Association, Inc. (MVRMA) is a risk sharing insurance pool established for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as Miami Valley Risk Management Association, Inc. for the purpose of administering the pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Kettering, Madeira, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming, and the Village of Indian Hill. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA.

B. Basis of Presentation - Fund Accounting

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

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

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

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

C. Fund Accounting

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

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

E. Basis of Accounting

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

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

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

TAX BUDGET

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

ESTIMATED RESOURCES

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

APPROPRIATIONS

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

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2008.

G. Cash and Cash Equivalents

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

During 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2008.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2008, interest revenue earned and credited to the general fund during 2008 amounted to \$97,453, including \$75,968 assigned from other funds of the City.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

H. Inventories of Materials and Supplies

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

I. Prepayments

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2008, the City’s capitalization threshold was \$5,000. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

K. Compensated Absences

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

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Activity

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

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

N. Fund Balance Reserves

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

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

O. Estimates

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

P. Contributions of Capital

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

Q. Net Assets

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

R. Operating Revenues and Expenses

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City at December 31, 2008.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2008 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Fire	\$ 15,412

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Fiscal Agent

At year-end, the City had \$44,861 on deposit with the Greene County Treasurer for permissive funds collected, but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from the Greene Country Comprehensive Annual Financial Report for the year ended December 31, 2008. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all City deposits was \$(121,960), exclusive of the \$247,842 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, the entire bank balance of \$441 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 3,679,080	\$ 3,679,080
Repurchase agreement	<u>247,842</u>	<u>247,842</u>
Total	<u>\$ 3,926,922</u>	<u>\$ 3,926,922</u>

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

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

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

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,679,080	93.69
Repurchase agreement	<u>247,842</u>	<u>6.31</u>
Total	<u>\$ 3,926,922</u>	<u>100.00</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (121,960)
Investments	3,926,922
Cash with fiscal agent	<u>44,861</u>
Total	<u>\$ 3,849,823</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,907,228
Business type activities	915,422
Agency fund	<u>27,173</u>
Total	<u>\$ 3,849,823</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported in the fund financial statements:

	<u>Transfers from</u>
<u>Transfers to</u>	<u>General</u>
Street fund	\$ 30,000
Capital improvements	<u>500,000</u>
Total	<u>\$ 530,000</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2008 was \$17.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property tax	\$ 172,006,400
Public utility tangible personal property	2,857,410
Tangible personal property	<u>683,810</u>
Total assessed valuation	<u>\$ 175,547,620</u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services) and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2008, as well as intended to finance 2008 operations.

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

Governmental activities:

Real and other taxes	\$ 2,028,305
Accounts	75,476
Due from other governments	436,045

Business-type activities:

Accounts	447,015
Due from other governments	105,571

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL ASSETS

A. Capital asset activity for the year ended December 31, 2008, was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 369,451	\$ -	\$ -	\$ 369,451
Total capital assets, not being depreciated	<u>369,451</u>	<u>-</u>	<u>-</u>	<u>369,451</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	277,905	-	-	277,905
Buildings and improvements	3,060,801	23,680	-	3,084,481
Equipment	554,301	25,192	(14,173)	565,320
Vehicles	1,657,861	45,592	(38,395)	1,665,058
Infrastructure	<u>1,164,602</u>	<u>146,956</u>	<u>-</u>	<u>1,311,558</u>
Total capital assets, being depreciated	<u>6,715,470</u>	<u>241,420</u>	<u>(52,568)</u>	<u>6,904,322</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(215,033)	(10,328)	-	(225,361)
Buildings and improvements	(701,038)	(61,589)	-	(762,627)
Equipment	(360,957)	(29,736)	13,774	(376,919)
Vehicles	(1,018,167)	(101,477)	37,372	(1,082,272)
Infrastructure	<u>(90,937)</u>	<u>(67,744)</u>	<u>-</u>	<u>(158,681)</u>
Total accumulated depreciation	<u>(2,386,132)</u>	<u>(270,874)</u>	<u>51,146</u>	<u>(2,605,860)</u>
Total capital assets, being depreciated, net	<u>4,329,338</u>	<u>(29,454)</u>	<u>(1,422)</u>	<u>4,298,462</u>
Governmental activities capital assets, net	<u>\$ 4,698,789</u>	<u>\$ (29,454)</u>	<u>\$ (1,422)</u>	<u>\$ 4,667,913</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 62,831
Security of persons and property	113,197
Transportation	<u>94,846</u>
Total depreciation expense - governmental activities	<u>\$ 270,874</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2008 was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 585,715	\$ -	\$ -	\$ 585,715
Construction in progress	<u>386,879</u>	<u>509,376</u>	<u>(261,174)</u>	<u>635,081</u>
Total capital assets, not being depreciated	<u>972,594</u>	<u>509,376</u>	<u>(261,174)</u>	<u>1,220,796</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	29,958	-	-	29,958
Buildings and improvements	2,495,446	8,200	-	2,503,646
Utility structures in service	12,723,602	351,731	-	13,075,333
Machinery and equipment	278,818	7,473	-	286,291
Vehicles	<u>96,378</u>	<u>19,281</u>	<u>(27,409)</u>	<u>88,250</u>
Total capital assets, being depreciated	<u>15,624,202</u>	<u>386,685</u>	<u>(27,409)</u>	<u>15,983,478</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(20,521)	(1,264)	-	(21,785)
Buildings and improvements	(781,168)	(63,812)	-	(844,980)
Utility structures in service	(5,027,146)	(175,966)	-	(5,203,112)
Machinery and equipment	(83,642)	(22,104)	-	(105,746)
Vehicles	<u>(72,847)</u>	<u>(5,477)</u>	<u>27,409</u>	<u>(50,915)</u>
Total accumulated depreciation	<u>(5,985,324)</u>	<u>(268,623)</u>	<u>27,409</u>	<u>(6,226,538)</u>
Total capital assets, being depreciated, net	<u>9,638,878</u>	<u>118,062</u>	<u>-</u>	<u>9,756,940</u>
Business-type activities capital assets, net	<u>\$ 10,611,472</u>	<u>\$ 627,438</u>	<u>\$ (261,174)</u>	<u>\$ 10,977,736</u>

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

Business-type activities:

Water	\$ 257,345
Waste Collection	<u>11,278</u>
Total depreciation expense - business-type activities	<u>\$ 268,623</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - OTHER EMPLOYEE BENEFITS

All full-time City employees earn sick leave at the rate of 4.6 hours per pay, up to a limit of 120 days. Upon qualifying to retire under the Public Employees Retirement System, an employee who has unused accumulated sick leave of 75 days or more is eligible to be paid for these days up to a maximum of 45 days. An employee resigning can be paid for up to 20 days of accumulated sick leave. Police and fire employees retiring under the Ohio Police and Fire Pension Fund may receive one day paid for every three days accumulated up a maximum of 40 days. The total obligations for sick leave accrual for the City as a whole as of December 31, 2008 was \$135,394.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$103,163 at December 31, 2008.

The City provides a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the statement of net assets. During 2008, the amount increased \$14,863 from a beginning year balance of \$223,694 to a year end balance of \$238,557.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2008, the following changes occurred in the governmental activities long-term obligations:

	Balance			Balance	Amounts
	12/31/07	Additions	Reductions	12/31/08	Due in
<u>Governmental activities:</u>					<u>One Year</u>
Compensated absences	\$ 190,455	\$ 104,162	\$ (97,972)	\$ 196,645	\$ 85,876
Total long-term obligations, governmental activities	<u>\$ 190,455</u>	<u>\$ 104,162</u>	<u>\$ (97,972)</u>	<u>\$ 196,645</u>	<u>\$ 85,876</u>

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2008, the following changes occurred in the business-type activities long-term obligations:

<u>Business-type activities:</u>	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/08</u>	Amounts Due in <u>One Year</u>
<u>Revenue bonds</u>					
1982 5.00% waterworks system	\$ 896,000	\$ -	\$ (46,000)	\$ 850,000	\$ 48,000
<u>Ohio Public Works Commission loan</u>					
1995 0.00% elevated water storage tank	212,500	-	(25,000)	187,500	25,000
<u>Other long-term obligations</u>					
Compensated absences	<u>33,239</u>	<u>20,528</u>	<u>(11,855)</u>	<u>41,912</u>	<u>17,287</u>
Total long-term obligations, business type activities	<u>\$ 1,141,739</u>	<u>\$ 20,528</u>	<u>\$ (82,855)</u>	<u>\$ 1,079,412</u>	<u>\$ 90,287</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 on the bonds are expected to require less than 20.86 percent of net revenues. The total principal and interest remaining to be paid on the Series 1982 water revenue bonds is \$1,176,560. Principal and interest paid for the current year and total customer net revenues were \$90,800 and \$435,359, respectively.

C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2008, follows:

Year Ending December 31,	<u>Revenue Bonds</u>			<u>OPWC Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 48,000	\$ 42,500	\$ 90,500	\$ 25,000	\$ -	\$ 25,000
2010	50,000	40,100	90,100	25,000	-	25,000
2011	53,000	37,600	90,600	25,000	-	25,000
2012	56,000	34,950	90,950	25,000	-	25,000
2013	58,000	32,150	90,150	25,000	-	25,000
2014 - 2018	338,000	114,110	452,110	62,500	-	62,500
2019 - 2021	<u>247,000</u>	<u>25,150</u>	<u>272,150</u>	-	-	-
	<u>\$ 850,000</u>	<u>\$ 326,560</u>	<u>\$ 1,176,560</u>	<u>\$ 187,500</u>	<u>\$ -</u>	<u>\$ 187,500</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 unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City's total debt margin was \$18,360,700 and the unvoted debt margin was \$9,617,510.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a joint self-insurance pool for 20 member cities. The City pays an annual premium to MVRMA for property, crime, liability, boiler and machinery, and public official liability coverage. The agreement for formation of MVRMA provides that the organization will be self-sustaining through member premiums and the purchase of excess insurance/reinsurance. The insurance/reinsurance coverage limits are stated below:

<u>TYPE OF COVERAGE</u>	<u>COVERAGE (per occurrence)</u>	<u>CITY DEDUCTIBLE (per occurrence)</u>	<u>MVRMA SELF INSUR RETENTION (per occurrence)</u>
Property	\$1,000,000,000	\$2,500	\$200,000
Earthquake	\$25,000,000 *	\$2,500	\$100,000
Flood	\$25,000,000 *	\$2,500	\$100,000
Flood (Zones A & V)	\$5,000,000	\$2,500	\$250,000
General Liability	\$10,000,000	\$2,500	\$1,000,000
Police Professional Liability	\$10,000,000	\$2,500	\$1,000,000
Employment Practices & Public Officials Liability	\$10,000,000 **	\$2,500	\$1,000,000
Automobile Liability	\$10,000,000	\$2,500	\$1,000,000
Boiler & Machinery	\$100,000,000	\$2,500	\$5,000

* and Annual Aggregate

** and Annual Aggregate per member

The City belongs to the Ohio Municipal League Workers' Compensation Group Rating Program. Ohio Revised Code Section 4123.29 permits local governments to group the experience of employers for workers' compensation rating purposes. For 2008 the City paid the Ohio Bureau of Workers' Compensation a premium rate of .018764 per \$1 of gross payroll for full-time employees and a premium rate of .216478 per \$1 of gross reimbursement for volunteers.

Full-time employees are covered for private medical coverage. Payments are made to the carrier by the City on behalf of the employees at 100% of the premium. The current carrier for medical coverage is United Healthcare. The premium rate is based on whether the employee elects family, employee plus spouse, employee plus child or single coverage. Dental coverage is carried through Superior Dental Care. The premium rate is based on whether the employee elects family, employee plus one or single coverage. Life insurance is provided for the employee only. The current carrier for life insurance is Standard Life. The Life/AD&D insurance benefit is \$25,000. The monthly premium for 2008 was \$5.00 per employee per month.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$79,897, \$92,704 and \$129,957, respectively; 91.41% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 12 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the 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. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$98,263 and \$61,051 for the year ended December 31, 2008, \$97,550 and \$56,826 for the year ended December 31, 2007 and \$85,706 and \$49,857, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70.19% has been contributed for police and firefighters for 2008.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

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. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). 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 amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$79,897, \$61,121 and \$42,687, respectively; 91.41% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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-employment 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.

Funding Policy - The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into 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, 2008, 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 the 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 health care 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. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$52,021 and \$23,890 for the year ended December 31, 2008, \$51,609 and \$22,209 for the year ended December 31, 2007 and \$56,530 and \$23,778, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70.19% has been contributed for police and firefighters for 2008.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General</u>	<u>Street</u>	<u>Police</u>	<u>Fire</u>
Budget basis	\$ 48,610	\$ 59,941	\$ (18,592)	\$ (26,630)
Net adjustment for revenue accruals	(6,023)	29,225	(3,192)	(2,729)
Net adjustment for expenditure accruals	9,922	16,300	(19,094)	(11,253)
Net adjustment for other sources/uses	(7,232)	-	-	-
Adjustment for encumbrances	<u>90,782</u>	<u>969</u>	<u>2,999</u>	<u>1,353</u>
GAAP basis	<u>\$ 136,059</u>	<u>\$ 106,435</u>	<u>\$ (37,879)</u>	<u>\$ (39,259)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2008.

B. Litigation

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 16 - CONTRACTUAL COMMITMENTS

As of December 31, 2008, the City had the following contractual commitments outstanding related to the water construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through December 31, 2008</u>	<u>Remaining Contract Amount</u>
Lockwood, Jones & Beals, Inc.	\$ 342,545	\$ (152,307)	\$ 190,238
Boone Water Systems, Inc.	311,943	(274,200)	37,743
Kelchner, Inc.	324,872	(310,804)	14,068
Various vendors/other direct expenses	<u>15,000</u>	<u>(1,886)</u>	<u>13,114</u>
Total	<u>\$ 994,360</u>	<u>\$ (739,197)</u>	<u>\$ 255,163</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio (the City) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink and is positioned above the typed name of the firm.

Springfield, Ohio
June 25, 2009

Finding 2006-001 – The City incurred audit adjustments to correct the balances of property taxes receivable and capital assets for the years ending December 31, 2006 and 2005. This finding was corrected for fiscal years 2008 and 2007.



Mary Taylor, CPA
Auditor of State

CITY OF BELLBROOK

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 11, 2009**