

CITY OF BELLBROOK

GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)

For The Year Ended
December 31, 1999

MR. DAVID HAMILTON, FINANCE DIRECTOR



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

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

We have reviewed the independent auditor's report of the City of Bellbrook, Greene County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1999 through December 31, 2000. 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.

JIM PETRO
Auditor of State

July 6, 2001

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CITY OF BELLBROOK

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the City of Bellbrook, Greene County, (the "City") as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 opinion.

Because of inadequacies in the City's fixed asset records, we were unable to obtain sufficient documentation to support the amounts reported as fixed assets in the General Fixed Asset Account Group and Proprietary Fund Type as of December 31, 1999 (stated at \$4,285,148 and \$8,014,082, respectively) or the amount of depreciation expense (stated at \$129,031) reported in the Proprietary Fund Type for the year then ended. The city was unable to provide evidence supporting the cost of fixed assets acquired prior to January 1, 1998 and the City's records do not permit the application of other auditing procedures to these fixed assets.

In our opinion, except that we express no opinion on the General Fixed Asset Account Group, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the cost and depreciation of Proprietary Fund Type fixed assets present fairly, in all material respects, the financial position of the City of Bellbrook, Greene County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standard*, we have also issued our report dated May 25, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
May 25, 2001

CITY OF BELLBROOK, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE			GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS			
									AGENCY		ENTERPRISE
Assets and Other Debits											
Assets:											
Equity in Pooled Cash and Cash Equivalents	\$400,035	\$92,608	\$923,151	\$547	\$373,074	\$7,034	\$0	\$0	\$0	\$1,796,449	
Cash and Cash Equivalents with Fiscal Agent	0	0	0	7,550	0	0	0	0	0	7,550	
Receivables:											
Taxes	388,649	1,031,678	0	0	0	0	0	0	0	1,420,327	
Accounts	17,133	0	0	0	235,734	10,786	0	0	0	263,653	
Special Assessments	0	0	8,724	0	0	0	0	0	0	8,724	
Interfund	55,000	0	0	0	0	0	0	0	0	55,000	
Intergovernmental	24,789	50,546	0	0	0	0	0	0	0	75,335	
Advances to Other Funds	5,000	0	0	0	0	0	0	0	0	5,000	
Supplies Inventory	0	6,554	0	0	55,609	0	0	0	0	62,163	
Fixed Assets	0	0	0	0	8,014,082	0	4,285,148	0	0	12,299,230	
Other Debits:											
Amount available in debt service fund	0	0	0	0	0	0	0	4,147	0	4,147	
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0	0	0	0	0	139,634	139,634	
Total Assets and Other Debits	\$890,606	\$1,181,386	\$931,875	\$8,097	\$8,678,499	\$17,820	\$4,285,148	\$143,781	\$16,137,212	\$16,137,212	

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

CITY OF BELLBROOK, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	ENTERPRISE	AGENCY	GENERAL	LONG-TERM	
							FIXED ASSETS	OBLIGATIONS	
Liabilities, Fund Equity and Other Credits									
Liabilities:									
Accounts Payable	\$6,930	\$14,134	\$3,984	\$0	\$38,525	\$270	\$0	\$0	\$63,843
Contracts Payable	0	0	191,534	0	0	0	0	0	191,534
Contracts Payable Retainage	0	0	103,083	0	0	0	0	0	103,083
Accrued Salaries Payable	1,303	16,621	0	0	7,135	0	0	0	25,059
Intergovernmental Payable	18,517	10,888	0	0	16,451	0	0	43,707	89,563
Accrued Interest Payable	0	0	8,267	0	39,800	0	0	0	48,067
Advances From Other Funds	0	0	5,000	0	0	0	0	0	5,000
Interfund Payable	0	50,000	5,000	0	0	0	0	0	55,000
Matured Bonds Payable	0	0	0	3,000	0	0	0	0	3,000
Matured Interest Payable	0	0	0	950	0	0	0	0	950
Compensated Absences Payable	368	3,080	0	0	15,853	0	0	94,074	113,375
Undistributed Monies	0	0	0	0	0	17,550	0	0	17,550
Deferred Revenue	388,649	1,031,678	8,724	0	0	0	0	0	1,429,051
Notes Payable	0	0	1,000,000	0	0	0	0	0	1,000,000
OPWC Loan Payable	0	0	0	0	412,500	0	0	0	412,500
Revenue Bonds Payable	0	0	0	0	1,194,000	0	0	0	1,194,000
General Obligation Bonds Payable	0	0	0	0	0	0	0	6,000	6,000
Total Liabilities	415,767	1,126,401	1,325,592	3,950	1,724,264	17,820	0	143,781	4,757,575
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	4,285,148	0	4,285,148
Contributed Capital	0	0	0	0	8,603,500	0	0	0	8,603,500
Accumulated Deficit	0	0	0	0	(1,649,265)	0	0	0	(1,649,265)
Fund Balances:									
Reserved for Encumbrances	80,597	31,136	299,169	0	0	0	0	0	410,902
Reserved for Supplies Inventory	0	6,554	0	0	0	0	0	0	6,554
Reserved for Advances	5,000	0	0	0	0	0	0	0	5,000
Reserved for Revenue Bonds	0	0	0	3,550	0	0	0	0	3,550
Unreserved:									
Unreserved	389,242	17,295	(692,886)	597	0	0	0	0	(285,752)
Total Fund Equity and Other Credits	474,839	54,985	(393,717)	4,147	6,954,235	0	4,285,148	0	11,379,637
Total Liabilities, Fund Equity and Other Credits	\$890,606	\$1,181,386	\$931,875	\$8,097	\$8,678,499	\$17,820	\$4,285,148	\$143,781	\$16,137,212

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

CITY OF BELLBROOK, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	
Revenues:					
Property and Other Taxes	\$378,551	\$1,019,535	\$0	\$0	\$1,398,086
Intergovernmental	359,094	803,558	90,000	0	1,252,652
Special Assessments	0	0	2,185	0	2,185
Charges for Services	15,017	546	0	0	15,563
Fines, Licenses, and Permits	138,540	165	0	0	138,705
Interest	155,542	0	0	0	155,542
Other	22,054	13,683	5,423	547	41,707
Total Revenues	1,068,798	1,837,487	97,608	547	3,004,440
Expenditures:					
Current:					
Security of Persons and Property	52,290	1,138,814	0	0	1,191,104
Leisure Time Activities	10,310	0	0	0	10,310
Community Environment	29,619	0	0	0	29,619
Transportation	0	262,601	0	0	262,601
General Government	311,900	883	3,237	0	316,020
Capital Outlay	1,107	324,920	1,816,127	0	2,142,154
Debt Service:					
Principal Retirement	0	0	0	3,000	3,000
Interest and Fiscal Charges	0	0	71,989	950	72,939
Total Expenditures	405,226	1,727,218	1,891,353	3,950	4,027,747
Excess of Revenues Over (Under) Expenditures	663,572	110,269	(1,793,745)	(3,403)	(1,023,307)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	12,870	0	0	0	12,870
Operating Transfers - In	0	143	1,263,722	67,622	1,331,487
Operating Transfers - Out	(767,765)	0	0	(563,722)	(1,331,487)
Total Other Financing Sources (Uses)	(754,895)	143	1,263,722	(496,100)	12,870
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(91,323)	110,412	(530,023)	(499,503)	(1,010,437)
Fund Balances at Beginning of Year (Restated - See Note 3)	566,162	(56,212)	136,306	503,650	1,149,906
Increase in Reserve for Inventory	0	785	0	0	785
Fund Balances at End of Year	\$474,839	\$54,985	(\$393,717)	\$4,147	\$140,254

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

CITY OF BELLBROOK, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 ALL-GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS			DEBT SERVICE FUND			TOTAL (MEMORANDUM ONLY)		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:															
Property and Other Taxes	\$383,431	\$378,551	(\$4,880)	\$1,019,535	\$1,019,535	\$89	\$0	\$0	\$0	\$0	\$0	\$0	\$1,402,867	\$1,398,086	(\$4,781)
Intergovernmental	355,252	360,085	4,833	803,172	803,172	2,196	90,000	90,000	0	0	0	0	1,246,228	1,253,257	7,029
Special Assessment	0	0	0	0	0	1,717	0	0	408	0	0	0	1,717	2,185	468
Charges for Services	14,500	15,017	517	457	546	89	0	0	0	0	0	0	14,957	15,563	606
Fees, Licenses, and Permits	123,500	124,407	(2,093)	0	0	0	0	0	0	0	0	0	123,500	121,407	(2,093)
Interest	150,000	155,542	5,542	94	165	71	0	0	0	0	0	0	150,084	155,707	5,613
Other	16,000	22,054	6,054	13,683	13,683	(1,617)	5,423	5,423	423	0	0	0	36,300	41,707	5,407
Total Revenues	1,042,683	1,052,656	9,973	1,837,101	1,837,101	838	96,717	97,608	891	0	0	0	2,975,663	2,987,912	12,249
Expenditures:															
Current:															
Security of Persons and Property	218,677	127,282	91,395	1,248,272	1,231,021	16,651	0	0	0	0	0	0	1,466,949	1,338,903	108,046
Leisure Time Activities	23,570	14,130	9,440	0	0	0	0	0	0	0	0	0	23,570	14,130	9,440
Community Environment	37,200	29,619	7,581	0	0	0	0	0	0	0	0	0	37,200	29,619	7,581
Transportation	9,000	9,000	0	278,217	275,010	2,607	0	0	0	0	0	0	282,217	275,010	7,207
General Government	415,708	352,760	62,948	2,800	883	1,917	150	109	41	0	0	0	418,038	353,752	64,286
Capital Outlay	10,000	1,107	8,893	338,830	324,920	13,910	2,518,648	2,204,326	314,122	0	0	0	2,867,478	2,530,553	336,925
Debt Service:	0	0	0	0	0	0	0	0	0	0	0	0	1,803,000	1,803,000	0
Principal Retirement	0	0	0	0	0	0	0	0	0	0	0	0	68,222	68,222	0
Interest and Fiscal Changes	0	0	0	0	0	0	0	0	0	0	0	0	68,222	68,222	0
Total Expenditures	714,155	524,898	189,257	1,868,119	1,833,034	35,085	2,518,798	2,204,635	314,163	0	0	0	6,972,294	6,433,789	538,505
Excess of Revenues Over (Under) Expenditures	328,528	527,758	199,230	(31,856)	4,067	35,923	(2,422,081)	(2,107,027)	315,054	(1,871,222)	(1,870,675)	547	(3,996,631)	(3,445,877)	550,754
Other Financing Sources (Uses):															
Proceeds from the Sale of Fixed Assets	12,870	12,870	0	0	0	0	0	0	0	0	0	0	12,870	12,870	0
Advances - In	0	0	0	0	0	0	0	0	0	0	0	0	900,000	1,000,000	100,000
Operating Transfers - In	105,000	105,000	0	50,000	50,000	0	700,000	700,000	0	467,673	387,622	0	1,167,816	1,067,765	(100,051)
Advances - Out	(50,000)	(50,000)	0	(100,000)	(100,000)	0	(5,000)	(5,000)	0	0	0	0	(155,000)	(155,000)	0
Operating Transfers - Out	(774,900)	(767,765)	7,135	0	0	0	0	0	0	0	0	0	(774,900)	(767,765)	7,135
Total Other Financing Sources (Uses)	(707,030)	(699,895)	7,135	(49,857)	(49,857)	0	695,000	695,000	0	1,367,673	1,367,622	(51)	1,305,786	1,312,870	7,084
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(378,502)	(172,137)	206,365	81,713	(45,790)	35,923	(1,727,081)	(1,412,027)	315,054	(503,549)	(503,053)	496	(2,690,845)	(2,133,007)	557,838
Fund Balances at Beginning of Year	451,424	451,424	0	65,187	65,187	0	1,737,604	1,737,604	0	500,050	500,050	0	2,754,265	2,754,265	0
Prior Year Encumbrances Appropriated	15,705	15,705	0	23,046	23,046	0	0	0	0	3,900	3,900	0	44,351	44,351	0
Fund Balances at End of Year	\$88,627	\$294,992	\$206,365	\$8,520	\$44,443	\$35,923	\$10,323	\$325,577	\$315,054	\$101	\$397	\$496	\$ 107,771	\$ 605,609	\$ 557,838

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

CITY OF BELLBROOK, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	PROPRIETARY FUND TYPE
	ENTERPRISE
Operating Revenues:	
Charges for Services	\$1,403,751
Tap-In Fees	84,600
Other	4,668

Total Operating Revenues	1,493,019

Operating Expenses:	
Personal Services	454,565
Contractual Services	465,069
Supplies and Materials	132,523
Depreciation	129,031

Total Operating Expenses	1,181,188

Operating Income	311,831

Non-Operating Revenues (Expenses):	
Grants	8,599
Interest and Fiscal Charges	(60,167)
Loss on Sale of Fixed Assets	(84,454)

Total Non-Operating Expenses	(136,022)

Net Income	175,809

Accumulated Deficit at Beginning of Year (Restated - Note 3)	(1,825,074)

Accumulated Deficit at End of Year	(\$1,649,265)
	=====

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

CITY OF BELLBROOK, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	PROPRIETARY FUND TYPE
	ENTERPRISE
Increase (Decrease) in Cash and Cash Equivalents:	

Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,492,083
Cash Payments to Employees for Services and Benefits	(483,069)
Cash Payments to Suppliers for Goods and Services	(590,545)

Net Cash Provided by Operating Activities	418,469

Cash Flows Provided from Noncapital Financing Activities:	
Grants	8,599
Operating Transfer - Out	(300,000)

Net Cash Provided by (Used In) Noncapital Financing Activities:	(291,401)

Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(114,567)
Principal Paid on Revenue Bonds	(53,000)
Interest Paid on Revenue Bonds	(61,100)

Net Cash Used in Capital and Related Financing Activities	(228,667)

Net Decrease in Cash and Cash Equivalents	(101,599)

Cash and Cash Equivalents Beginning of Year	474,673

Cash and Cash Equivalents End of Year	\$373,074
	=====
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	

Operating Income	\$311,831
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	129,031
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(936)
Increase in Supplies Inventory	(2,413)
Increase in Accounts Payable	9,460
Decrease in Accrued Salaries	(10,650)
Decrease in Intergovernmental Payable	(23,164)
Increase in Compensated Absences Payable	5,310

Net Cash Provided by Operating Activities	\$418,469
	=====

Noncash Capital Financing Activities:

Developers contributed water lines in the amount of \$28,000 to the City's Water Fund

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Bellbrook (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated on January 13, 1971. A charter was first adopted on November 2, 1971.

The municipal government provided by the charter is known as a Council-Manager form of government. Legislative power is vested in a seven-member council with a separately elected Mayor serving a two-year term, and six council members elected to four-year terms. The council appoints the City Manager and the Clerk of Council. The City Manager is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which provide various services including police and fire protection, rescue squad, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare, water, and refuse collection. Council and the City Manager are directly responsible for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City:

The Winter's Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies.

Sugarcreek Local School District is a distinct political subdivision of the State of Ohio operated under the direction of an elected school board which possesses its own budgeting and taxing authority and which is not fiscally dependent on the City.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION - (Continued)

Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

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

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

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

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION - (Continued)

Proprietary Fund Type

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary fund includes an agency fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City other than those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is used to account for all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary or trust funds, including special assessment debt for which the City is obligated in some manner.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Measurement Focus and Basis of Accounting

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

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines, licenses, and permits.

The City reports deferred revenues in its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In a subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. Unfilled service charges receivable are recognized as revenue at year end.

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level (personal services and other) within each department. Budgetary modification may be made only by resolution of the City Council.

Budget

A tax budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The 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. 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 stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance generally controls expenditures at the departmental level by personal services and other expenditures and may be amended or supplemented only by council during the year as required. During the year one supplemental appropriation measure was legally passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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 is not reappropriated.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Cash and Cash Equivalents

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

During 1999, investments were limited to money market funds and STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and investments of the cash management pool are considered to be cash equivalents.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned during 1999 amounted to \$155,542, credited to the General fund. The \$155,542 included \$121,053 assigned from other funds of the City.

Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Short-Term Interfund Receivables/Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

Long-Term Interfund Loans

Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Fixed Assets and Depreciation

The fixed asset values were initially determined at December 31, 1997 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were determined by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair value on the date donated.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed assets account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the government.

Proprietary Fund Fixed Assets

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the assets' estimated useful life. The assets of the enterprise funds are depreciated on the following basis:

Buildings	50 years
Land Improvements Other Than Buildings	10 - 15 years
Equipment	5 - 20 years
Vehicles	5 - 20 years
Infrastructure:	
Sewer and Water Lines	50 years

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

For governmental funds, the City records a liability for accumulated, unpaid vacation and sick leave for eligible employees in the period in which the employee becomes eligible to receive payment. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. This amount is recorded as a fund liability, while the balance of the liability is recorded in the general long-term obligations account group.

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

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

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

Long-Term Obligations (Continued)

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and the enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Debt Service Fund
Compensated Absences	Will be paid by the fund from which the employees salary is paid.
Intergovernmental Payable (Pension Liability)	Will be paid by the fund from which the employees salary is paid.
Revenue Bonds Payable	Water Enterprise Fund
OPWC Loan Payable	Water Enterprise Fund

Contributed Capital

Contributed capital represents resources from other funds, federal and state grants, other governments, and private sources provided to the City's proprietary funds which are not subject to repayment.

Because the City, prior to 1998, had not prepared its financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1998 cannot be determined. Only those amounts that could be specifically identified have been classified as contributed capital in the accompanying general purpose financial statements.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Reservations and Designation of Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, supplies inventory, advances, and revenue bonds.

Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as operating transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Estimates

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

Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The City has presented a statement of cash flows for its Proprietary funds. For purposes of the statement of cash flows, the City considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

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

Financial Reporting for Proprietary and Similar Fund Types

The City's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

The City issued bond anticipation notes in 1998 for \$1,800,000 that were not classified correctly on the balance sheet as of December 31, 1998. This note is split with \$1,500,000 recorded in the Building Improvement Capital Projects Fund and \$300,000 in the Water Fund. There were also fixed asset adjustments including infrastructure recorded in the Water Fund as retained earnings instead of contributed capital and water lines that were not placed in the Water Fund on the balance sheet as of December 31, 1998. These adjustment had the following effect on retained earnings/fund balance:

<u>Fund</u>	<u>Balance at December 31, 1998</u>	<u>Change</u>	<u>Restated Balance at December 31, 1998</u>
Building Improvement Fund	\$1,629,068	\$(1,500,000)	\$ 129,068
Water Fund	5,683,972	(7,491,690)	(1,807,718)

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations, and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - BUDGET TO GAAP RECONCILIATION - (Continued)

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual (Budget Basis), All Governmental Fund Types 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 the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year ended December 31, 1999 on the GAAP basis to the budget basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$(91,323)	\$110,412	\$ (530,023)	\$ (499,503)
Revenue Accruals	(16,142)	(386)	0	0
Expenditure				
Accruals	(14,629)	(57,652)	212,303	7,500
Encumbrances	(105,043)	(48,164)	(597,574)	(7,500)
Debt Principal				
Payments	0	0	0	(1,800,000)
Debt Interest				
Payments	0	0	71,989	(67,272)
Note Proceeds	0	0	0	1,000,000
Transfers	0	0	(563,722)	863,722
Advances	<u>55,000</u>	<u>(50,000)</u>	<u>(5,000)</u>	<u>0</u>
Budget Basis	<u><u>\$(172,137)</u></u>	<u><u>\$(45,790)</u></u>	<u><u>\$(1,412,027)</u></u>	<u><u>\$ (503,053)</u></u>

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - COMPLIANCE AND ACCOUNTABILITY

The Fire Special Revenue Fund's deficit fund balance of \$47,429 resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides transfers or advances when cash is required, not when accruals occur.

Deficit fund balances occur in the Building Improvement Capital Projects Fund and the Special Assessment Capital Projects Fund in the amounts of \$693,177 and \$7,945, respectively. These deficits are also related to adjustments for accrued liabilities and the recording of bond anticipation notes as a fund liability for GAAP purposes. The general fund is liable for any deficit and provides transfers or advances when cash is required, not when accruals occur.

The Water Fund Enterprise Fund has a deficit retained earnings of \$1,656,181. Although operating revenues were sufficient to cover operating expenses and depreciation, a significant amount of water lines were contributed by developers, which when depreciated reduced retained earnings instead of contributed capital.

These funds complied with Ohio law which does not allow a fund deficit on a cash basis.

NOTE 6 - DEPOSITS AND INVESTMENTS

Policies and Procedures

Monies of substantially all funds of the City are maintained or invested in a common group of bank accounts and STAROhio. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to the charter and statutory requirements.

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, only financial institutions located in Ohio and primary securities dealers are eligible to hold public deposits. The provisions also permit the City to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository.

Public depositories must give security for all public funds on deposit. According to the City's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 110 percent of the total value of public monies on deposit at the institution.

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Deposits

At year end, the carrying amount of the City's deposits was (\$89,379) and the bank balance was \$115,293. 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 a money market sweep account. Of the bank balance \$100,000 was covered by federal deposit insurance and the remaining amounts were uninsured and uncollateralized as defined by GASB Statement No. 3 because the securities held as collateral by the financial institutions or their trust departments or agencies were in the financial institutions' names. As authorized by state statute, the pledging bank has established an investment and securities pool to collateralize all public deposits.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name. STAROhio, an investment fund operated by the Ohio State Treasurer is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Money Market Funds	\$102,282	\$ 102,282	\$ 102,282
Unclassified:			
STAROhio	<u>0</u>	<u>1,791,096</u>	<u>1,791,096</u>
Total	<u>\$102,282</u>	<u>\$1,893,378</u>	<u>\$1,893,378</u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

A reconciliation between classifications of cash and investments on the financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,803,999	\$ 0
Investments:		
Money Market Funds	(102,282)	102,282
STAROhio	<u>(1,791,096)</u>	<u>1,791,096</u>
 GASB Statement 3	 <u>\$ (89,379)</u>	 <u>\$1,893,378</u>

NOTE 7 - 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 reevaluated every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 7 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 1999 was \$17.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$110,837,030
Public Utility Tangible Personal Property Assessed Valuation	4,618,960
Tangible Personal Property Assessed Valuation	<u>1,418,173</u>
 Total	 <u>\$116,874,163</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments, and utility accounts. All receivables are considered fully collectible. Utility Accounts Receivable at December 31, 1999 were \$235,734.

A summary of intergovernmental receivables follows:

GENERAL FUND

Local Government Assistance	\$14,742
Court Fines	3,732
Greene County Prosecutor Reimbursement	<u>6,315</u>
 Total General Fund	 <u>24,789</u>

SPECIAL REVENUE FUNDS

State Highway Fund

Gas Tax	905
Motor Vehicle License Tax	252

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 8 - RECEIVABLES - (Continued)

<u>Street Construction, Maintenance and Repair Fund</u>	
Gas Tax	11,163
Motor Vehicle License Tax	3,106
<u>Motor Vehicle License Tax</u>	
Permissive Tax	3,843
<u>Police Fund</u>	
Cops Grant	26,303
<u>Fire Fund</u>	
EMS Grant	<u>4,974</u>
Total Special Revenue Funds	<u>50,546</u>
Total All Funds	<u><u>\$75,335</u></u>

NOTE 9 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 1999 were as follows:

<u>Class</u>	Balance December 31, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>1999</u>
Land	\$ 362,551	\$ 0	\$ 0	\$ 362,551
Improvements to Land	138,384	0	0	138,384
Buildings	781,016	0	0	781,016
Equipment	1,226,175	99,822	19,600	1,306,397
Vehicles	362,243	27,099	0	389,342
Construction in Progress	<u>0</u>	<u>1,307,458</u>	<u>0</u>	<u>1,307,458</u>
Totals	<u>\$2,870,369</u>	<u>\$1,434,379</u>	<u>\$19,600</u>	<u>\$4,285,148</u>

A summary of the proprietary funds fixed assets at December 31, 1999 were as follows:

<u>Class</u>	<u>Enterprise</u>
Land	\$ 383,096
Improvements to Land	254,070
Buildings	2,130,108
Equipment	80,966
Vehicles	115,000
Construction in Progress	<u>8,641,190</u>
Total Fixed Assets	11,604,430
Accumulated Depreciation	<u>(3,590,348)</u>
Totals	<u><u>\$8,014,082</u></u>

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Both the Police and Firemen's Disability Pension Fund and the Public Employees Retirement System are reported using GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

Substantially all City employees are covered by one of two cost-sharing multiple-employer defined benefit pension plans, namely, the Police and Firemen's Disability Pension Fund or the Public Employees Retirement System of Ohio (PERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Public Employees Retirement System

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City's contributions to the plan for the years ending December 31, 1997, 1998, and 1999 were \$94,387, \$93,197 and \$105,581, respectively; Seventy-four percent has been contributed for 1999 and 100 percent for 1997 and 1998. The unpaid contribution for 1999 is \$28,273 with \$14,459 recorded in the general long-term obligation account group and \$13,814 recorded in the enterprise funds.

Police and Firemen's Disability Pension Fund

The City of Bellbrook contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple-employer defined benefit pension plan. PFDPF 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. The Police and Firemen's Disability Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, or by calling (614) 228-2975.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City contributed 19.5% for Police employees and 24% for fire employees. The City contributions to the plan for the years ended December 31, 1997, 1998, and 1999, were \$51,727, \$68,379 and \$82,318, respectively for police. For fire the contributions were \$37,852, \$44,495 and \$40,085 for the years ended December 31, 1997, 1998 and 1999. Seventy-seven percent has been contributed for 1999 and 100 percent for 1997 and 1998. The unpaid contribution for 1999 is \$29,248 recorded in the general long-term obligation account group.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio provides postemployment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to the system is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent; 4.2 percent was the portion that was used to fund health care for the year 1999.

Other postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other postemployment benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care. The City's actual contributions for 1999 which were used to fund postemployment benefits were \$32,726.

The actual contribution and the actuarially required contribution amounts are the same. Expenditures for other postemployment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future other postemployment benefits payments were \$9,870,285,641. The number of benefit recipients eligible for other postemployment benefits at December 31, 1999 was 118,062.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such persons. An eligible dependent child is any child under the age of eighteen whether or not he is attending school or under twenty-two if attending full-time or on a 2/3 basis. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contributions is 19.5 percent of covered payroll and the total firemen's employer contribution rate is 24 percent of covered payroll of which 7.0 percent was applied to the postemployment health care program. Health care funding and accounting is on a pay-as-you-go basis.

The number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$29,550 for police and \$11,691 for firefighters. The fund's total health care expenses for the year ending December 31, 1999 were \$95 million.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation and Overtime Pay

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligation for vacation leave and overtime pay for the City as a whole amounted to \$83,335 at December 31, 1999.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 4.6 hours per pay. A maximum of 120 days of sick leave can be carried forward from year to year. 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 hours 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 Police and Fire Disability Pension System may receive one day paid for every three days accumulated up to a maximum of 40 days. The total obligation for sick leave accrual for the City as a whole as of December 31, 1999 was \$30,040.

CITY OF BELLBROOK, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 1999 the City contracted with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
Property Insurance	\$ 6,272,456	\$ 500
General Liability	5/7000,000	0
Police Liability	5/6000,000	2,500
Wrongful Acts	5/6000,000	2,500
Crime	2,500	0
Inland Marine	441,340	250
Fire Vehicle	1,010,000	250
Automobile	5,000,000	250/250
EDP	150,59125	0
Bond	25,0000	

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

Employees are covered for private medical coverage. Payments are made to the carrier by the City on behalf of the employees. The current carrier is United Health Care. The family and single rate is gender and age sensitive and different for each employee. Dental benefits and life insurance is also provided.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 14 - LONG-TERM OBLIGATIONS

Long term obligations at December 31, 1999 were as follows:

General Long-Term Obligations

	Balance December 31, <u>1998</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>1999</u>
<u>General Obligation Bonds</u>				
10% - Municipal Building Bonds	\$ 9,000	\$ 0	\$ 3,000	\$ 6,000
Compensated Absences	76,906	22,495	5,327	94,074
Intergovernmental	<u>43,315</u>	<u>392</u>	<u>0</u>	<u>43,707</u>
Total General Long-Term Obligations	<u>\$ 129,221</u>	<u>\$22,887</u>	<u>\$ 8,327</u>	<u>\$ 143,781</u>

Enterprise Funds

Revenue Bonds

5% - Waterworks Revenue Bonds	\$1,222,000	\$ 0	\$28,000	\$1,194,000
Ohio Public Works Water Loan	<u>437,500</u>	<u>0</u>	<u>25,000</u>	<u>412,500</u>
Total - Enterprise Fund	<u>\$1,659,500</u>	<u>\$ 0</u>	<u>\$53,000</u>	<u>\$1,606,500</u>

The general obligation bond issue is paid through the General Obligation Bond Retirement Debt Service Fund from property taxes transferred from the General Fund.

The intergovernmental payable represents the employer's portion of pension for 1999 that was not paid until the following year.

The revenue bonds are being repaid from charges for services in the Water Fund.

The City received an interest free loan through the State of Ohio's Public Works Commission Issue II program. The money was spent on water improvements to the existing water system and will be repaid over twenty years.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$12,271,787. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 1999 were:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>OPWC Loan</u>	<u>Total</u>
2000	\$3,600	\$ 90,650	\$ 25,000	\$ 119,250
2001	3,300	91,100	25,000	119,400
2002	0	90,450	25,000	115,450
2003	0	90,750	25,000	115,750
2004	0	90,950	25,000	115,950
2005-2021	<u>0</u>	<u>1,539,450</u>	<u>287,500</u>	<u>1,826,950</u>
TOTAL	<u>\$6,900</u>	<u>\$1,993,350</u>	<u>\$412,500</u>	<u>\$2,412,750</u>

NOTE 15 - SHORT-TERM OBLIGATIONS

<u>Fund Type</u>	<u>Balance December 31, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 1999</u>
Building Improvement Bond Anticipation Notes	<u>\$1,800,000</u>	<u>\$1,000,000</u>	<u>\$1,800,000</u>	<u>\$1,000,000</u>
Total	<u>\$1,800,000</u>	<u>\$1,000,000</u>	<u>\$1,800,000</u>	<u>\$1,000,000</u>

At December 31, 1999, the City maintained a payable for bond and interest coupons that have matured, however they have not been claimed by the holders.

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 16 - INTERFUND ASSETS/LIABILITIES

Individual fund interfund asset and liability balances at December 31, 1999, were as follows:

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire	\$50,000
	Special Assessment	5,000

Advance To/Advance From

<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
General	Special Assessments	\$5,000

NOTE 17 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of water and waste collection. Key financial information for the year ended December 31, 1999, for each enterprise fund is as follows:

	<u>Water Fund</u>	<u>Waste Collection Fund</u>	<u>Total</u>
Operating Revenues	\$1,177,699	\$315,320	\$1,493,019
Operating Expenses			
Before Depreciation	(761,721)	(290,436)	(1,052,157)
Depreciation Expense	<u>(129,031)</u>	<u>(0)</u>	<u>(129,031)</u>
Operating Income	<u>286,947</u>	<u>24,884</u>	<u>311,831</u>
Net Non-Operating Revenues (Expenses)	<u>(136,022)</u>	<u>0</u>	<u>(136,022)</u>
Net Income	<u>\$ 151,537</u>	<u>\$ 24,272</u>	<u>\$ 175,809</u>
Current Contributed Capital	<u>\$ 28,000</u>	<u>\$ 0</u>	<u>\$ 28,000</u>
Additions to Property, Plant and Equipment	<u>\$ 114,567</u>	<u>\$ 0</u>	<u>\$ 114,567</u>
Net Working Capital	<u>\$ 555,590</u>	<u>\$ 6,916</u>	<u>\$ 562,506</u>
Total Assets	<u>\$8,648,735</u>	<u>\$ 29,764</u>	<u>\$8,678,499</u>
Other Long-Term Liabilities			
Payable from Revenue	<u>\$1,622,353</u>	<u>\$ 0</u>	<u>\$1,622,353</u>
Total Equity	<u>\$6,947,319</u>	<u>\$ 6,916</u>	<u>\$6,954,235</u>
Encumbrances Outstanding at December 31, 1999	<u>\$ 43,494</u>	<u>\$ 0</u>	<u>\$ 43,494</u>

CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 18 - CONTRIBUTED CAPITAL

Prior period adjustments (See Note 3) adjusted the beginning balance of contributed capital at December 31, 1998 from \$100,500 to \$8,575,500. During the year developers contributed water lines in the amount of \$28,000 for a total balance of \$8,603,500 at December 31, 1999.

NOTE 19 - CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Federal and State Grants

For the period January 1, 1999 to December 31, 1999 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

We have audited the financial statements of the City of Bellbrook, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Bellbrook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the City of Bellbrook in a separate letter dated May 25, 2001.

Members of Council and Mayor
City of Bellbrook

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-COB-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 25, 2001.

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

Trimble, Julian & Grube, Inc.
May 25, 2001

**CITY OF BELLBROOK
GREENE COUNTY, OHIO
DECEMBER 31, 1999**

SCHEDULE OF FINDINGS

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

Finding Number	1999-COB-001
----------------	---------------------

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

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

The City did not have documentation supporting the recorded value of its fixed assets or documentation supporting the methodology used in estimating the value of its fixed assets. Failure to maintain such documentation could result in a material misstatement of the City's financial statements.

To reduce this risk the City should either:

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

CITY OF BELLBROOK

GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)

For The Year Ended
December 31, 2000

MR. DAVID HAMILTON, FINANCE DIRECTOR

**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

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1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the City of Bellbrook, Greene County, (the "City") as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 opinion.

Because of inadequacies in the City's fixed asset records, we were unable to obtain sufficient documentation to support the amounts reported as fixed assets in the General Fixed Asset Account Group and Proprietary Fund Type as of December 31, 2000 (stated at \$5,258,481 and \$7,949,203, respectively) or the amount of depreciation expense (stated at \$163,698) reported in the Proprietary Fund Type for the year then ended. The city was unable to provide evidence supporting the cost of fixed assets acquired prior to January 1, 1998 and the City's records do not permit the application of other auditing procedures to these fixed assets.

In our opinion, except that we express no opinion on the General Fixed Asset Account Group, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the cost and depreciation of Proprietary Fund Type fixed assets present fairly, in all material respects, the financial position of the City of Bellbrook, Greene County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standard*, we have also issued our report dated May 25, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
May 25, 2001

THE CITY OF BELLBROOK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	<i>Governmental</i>				<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)
	<i>Fund Types</i>				<i>Fund Type</i>	<i>Fund Type</i>	<i>Groups</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits:									
Assets:									
Cash and Cash Equivalents	\$374,962	\$50,143	\$1,261	\$333,861	\$375,435	\$62,630	\$0	\$0	\$1,198,292
Cash and Cash Equivalents with Fiscal Agent	0	0	3,350	0	0	0	0	0	3,350
Receivables (net of allowance for doubtful accounts):									
Taxes	447,166	1,189,181	0	0	0	0	0	0	1,636,347
Accounts	20,252	2,315	0	0	301,708	0	0	0	324,275
Special Assessments	0	0	0	6,976	0	0	0	0	6,976
Interest	0	51	0	0	0	0	0	0	51
Interfund Loan	6,300	0	0	0	0	0	0	0	6,300
Intergovernmental Receivables	84,769	5,510	0	0	0	0	0	0	90,279
Inventory of Supplies at Cost	0	12,288	0	0	60,478	0	0	0	72,766
Fixed Assets (net of accumulated depreciation)	0	0	0	0	7,949,203	0	5,258,481	0	13,207,684
Other Debits:									
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	1,261	1,261
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	166,674	166,674
Total Assets and Other Debits	\$933,449	\$1,259,488	\$4,611	\$340,837	\$8,686,824	\$62,630	\$5,258,481	\$167,935	\$16,714,255

(Continued)

THE CITY OF BELLBROOK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	<i>Governmental</i>				<i>Proprietary</i>	<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)
	<i>Fund Types</i>				<i>Fund Type</i>	<i>Fund Type</i>	<i>Groups</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	
Liabilities, Equity and Other Credits:									
Liabilities:									
Accounts Payable	\$14,888	\$13,593	\$0	\$101,824	\$45,661	\$0	\$0	\$0	\$175,966
Accrued Wages and Benefits	1,117	24,006	0	0	45,526	0	0	0	70,649
Due to Others	0	0	0	0	0	62,630	0	0	62,630
Interfund Loan Payable	0	0	0	6,300	0	0	0	0	6,300
Intergovernmental Payable	20,575	12,901	0	0	0	0	0	40,762	74,238
Accrued Interest Payable	0	0	0	4,667	33,892	0	0	0	38,559
Matured Bonds and Interest Payable	0	0	3,350	0	0	0	0	0	3,350
Deferred Revenue	452,690	1,165,372	0	6,976	0	0	0	0	1,625,038
General Obligation Note Payable	0	0	0	500,000	0	0	0	0	500,000
Compensated Absences Payable	0	0	0	0	25,748	0	0	124,173	149,921
Ohio Public Works Commission Loan Payable	0	0	0	0	387,500	0	0	0	387,500
General Obligation Bond Payable	0	0	0	0	0	0	0	3,000	3,000
Mortgage Revenue Bond Payable	0	0	0	0	1,162,000	0	0	0	1,162,000
Total Liabilities	489,270	1,215,872	3,350	619,767	1,700,327	62,630	0	167,935	4,259,151
Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	5,258,481	0	5,258,481
Contributed Capital	0	0	0	0	8,603,500	0	0	0	8,603,500
Accumulated Deficit:									
Unreserved	0	0	0	0	(1,617,003)	0	0	0	(1,617,003)
Fund Balances:									
Reserved for Encumbrances	39,453	6,472	0	3,806	0	0	0	0	49,731
Reserved for Supplies Inventory	0	12,288	0	0	0	0	0	0	12,288
Reserved for Debt Service	0	0	1,261	0	0	0	0	0	1,261
Unreserved:									
Undesignated	404,726	24,856	0	(282,736)	0	0	0	0	146,846
Total Equity and Other Credits	444,179	43,616	1,261	(278,930)	6,986,497	0	5,258,481	0	12,455,104
Total Liabilities, Equity and Other Credit	\$933,449	\$1,259,488	\$4,611	\$340,837	\$8,686,824	\$62,630	\$5,258,481	\$167,935	\$16,714,255

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	
Revenues:					
Property and Other Taxes	\$295,493	\$1,049,237	\$4,218	\$95,782	\$1,444,730
Intergovernmental Revenues	542,665	461,778	0	0	1,004,443
Charges for Services	15,178	588	0	0	15,766
Licenses and Permits	137,925	2,315	0	0	140,240
Investment Earnings	114,550	217	0	0	114,767
Special Assessments	0	0	0	1,748	1,748
Reimbursements	0	0	0	19,700	19,700
All Other Revenues	15,142	12,101	0	200	27,443
Total Revenues	<u>1,120,953</u>	<u>1,526,236</u>	<u>4,218</u>	<u>117,430</u>	<u>2,768,837</u>
Expenditures:					
Current:					
Security of Persons and Property	169,487	1,235,575	0	0	1,405,062
Public Health and Welfare Services	370	0	0	0	370
Leisure Time Activities	21,585	0	0	0	21,585
Community Environment	32,894	0	0	0	32,894
Transportation	0	262,958	0	0	262,958
General Government	330,958	322	0	94	331,374
Capital Outlay	0	44,695	0	760,367	805,062
Debt Service:					
Principal Retirement	0	0	3,000	0	3,000
Interest and Fiscal Charges	0	0	4,104	38,782	42,886
Total Expenditures	<u>555,294</u>	<u>1,543,550</u>	<u>7,104</u>	<u>799,243</u>	<u>2,905,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	565,659	(17,314)	(2,886)	(681,813)	(136,354)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	492	0	0	0	492
Operating Transfers In	0	211	0	796,600	796,811
Operating Transfers Out	(596,811)	0	0	0	(596,811)
Total Other Financing Sources (Uses)	<u>(596,319)</u>	<u>211</u>	<u>0</u>	<u>796,600</u>	<u>200,492</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(30,660)	(17,103)	(2,886)	114,787	64,138
Fund Balances (Deficit) Beginning of Year	474,839	54,985	4,147	(393,717)	140,254
Increase in Inventory Reserve	0	5,734	0	0	5,734
Fund Balances (Deficit) End of Year	<u>\$444,179</u>	<u>\$43,616</u>	<u>\$1,261</u>	<u>(\$278,930)</u>	<u>\$210,126</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>						
Property and Other Taxes	\$272,966	\$286,330	\$13,364	\$996,684	\$1,025,428	\$28,744
Intergovernmental Revenues	410,351	497,372	87,021	517,099	506,814	(10,285)
Charges for Services	15,000	15,178	178	500	588	88
Licenses and Permits	125,000	135,003	10,003	0	0	0
Investment Earnings	135,000	114,550	(20,450)	0	166	166
Special Assessments	0	0	0	0	0	0
All Other Revenues	11,000	14,945	3,945	22,200	12,101	(10,099)
Total Revenues	969,317	1,063,378	94,061	1,536,483	1,545,097	8,614
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	249,993	201,591	48,402	1,254,543	1,239,743	14,800
Public Health and Welfare Services	5,000	370	4,630	0	0	0
Leisure Time Activities	31,320	21,585	9,735	300	0	300
Community Environment	47,200	32,894	14,306	0	0	0
Transportation	5,000	0	5,000	272,221	268,892	3,329
General Government	430,231	356,099	74,132	2,500	322	2,178
Capital Outlay	0	0	0	45,000	44,695	305
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	768,744	612,539	156,205	1,574,564	1,553,652	20,912
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,573	450,839	250,266	(38,081)	(8,555)	29,526
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	0	492	492	0	0	0
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	200	211	11
Operating Transfers Out	(604,600)	(596,811)	7,789	0	0	0
Advances In	60,000	53,700	(6,300)	0	0	0
Advances Out	0	0	0	(50,000)	(50,000)	0
Total Other Financing Sources (Uses)	(544,600)	(542,619)	1,981	(49,800)	(49,789)	11
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(344,027)	(91,780)	252,247	(87,881)	(58,344)	29,537
Fund Balance at Beginning of Year	294,992	294,992	0	44,443	44,443	0
Prior Year Encumbrances	105,043	105,043	0	48,165	48,165	0
Fund Balance at End of Year	\$56,008	\$308,255	\$252,247	\$4,727	\$34,264	\$29,537

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$1,369,650	\$1,411,758	\$42,108
0	0	0	0	0	0	927,450	1,004,186	76,736
0	0	0	0	0	0	15,500	15,766	266
0	0	0	0	0	0	125,000	135,003	10,003
0	0	0	0	0	0	135,000	114,716	(20,284)
0	0	0	1,746	1,748	2	1,746	1,748	2
0	0	0	9,000	19,900	10,900	42,200	46,946	4,746
100,000	100,000	0	10,746	21,648	10,902	2,616,546	2,730,123	113,577
0	0	0	0	0	0	1,504,536	1,441,334	63,202
0	0	0	0	0	0	5,000	370	4,630
0	0	0	0	0	0	31,620	21,585	10,035
0	0	0	0	0	0	47,200	32,894	14,306
0	0	0	0	0	0	277,221	268,892	8,329
0	0	0	94	94	0	432,825	356,515	76,310
0	0	0	1,272,574	1,060,157	212,417	1,317,574	1,104,852	212,722
1,006,000	1,003,000	3,000	0	0	0	1,006,000	1,003,000	3,000
47,600	47,086	514	0	0	0	47,600	47,086	514
1,053,600	1,050,086	3,514	1,272,668	1,060,251	212,417	4,669,576	4,276,528	393,048
(953,600)	(950,086)	3,514	(1,261,922)	(1,038,603)	223,319	(2,053,030)	(1,546,405)	506,625
0	0	0	0	0	0	0	492	492
500,000	500,000	0	0	0	0	500,000	500,000	0
445,553	446,600	1,047	360,000	350,000	(10,000)	805,753	796,811	(8,942)
0	0	0	0	0	0	(604,600)	(596,811)	7,789
0	0	0	0	0	0	60,000	53,700	(6,300)
0	0	0	(3,707)	(3,700)	7	(53,707)	(53,700)	7
945,553	946,600	1,047	356,293	346,300	(9,993)	707,446	700,492	(6,954)
(8,047)	(3,486)	4,561	(905,629)	(692,303)	213,326	(1,345,584)	(845,913)	499,671
597	597	0	325,577	325,577	0	665,609	665,609	0
7,500	7,500	0	597,574	597,574	0	758,282	758,282	0
\$50	\$4,611	\$4,561	\$17,522	\$230,848	\$213,326	\$78,307	\$577,978	\$499,671

THE CITY OF BELLBROOK, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Type</u>
	<u>Enterprise Funds</u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,432,474
Tap in Fees	88,700
Other Operating Revenues	<u>7,314</u>
Total Operating Revenues	<u>1,528,488</u>
<u>Operating Expenses:</u>	
Personal Services	538,971
Materials and Supplies	68,876
Contractual Services	466,190
Depreciation	163,698
Other Operating Expenses	<u>4,949</u>
Total Operating Expenses	<u>1,242,684</u>
Operating Income	285,804
<u>Nonoperating Revenues (Expenses):</u>	
Interest and Fiscal Charges	(53,742)
Nonoperating Revenues	<u>200</u>
Total Nonoperating Revenues (Expenses)	<u>(53,542)</u>
Income Before Operating Transfers	232,262
<u>Operating Transfers:</u>	
Operating Transfers Out	<u>(200,000)</u>
Total Operating Transfers	<u>(200,000)</u>
Net Income	32,262
Accumulated Deficit at Beginning of Year	<u>(1,649,265)</u>
Accumulated Deficit at End of Year	<u><u>(\$1,617,003)</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF BELLBROOK, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Type</u>
	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,462,714
Cash Payments for Goods and Services	(547,177)
Cash Payments to Employees	(506,949)
Net Cash Provided by Operating Activities	<u>408,588</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers Out to Other Funds	(200,000)
Net Cash Used for Noncapital Financing Activities	<u>(200,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(89,577)
Principal Paid on Revenue Bonds	(32,000)
Principal Paid on Ohio Public Works Commission Loan	(25,000)
Interest Paid on All Debt	(59,650)
Net Cash Used for Capital and Related Financing Activities	<u>(206,227)</u>
Net Increase in Cash and Cash Equivalents	2,361
Cash and Cash Equivalents at Beginning of Year	<u>373,074</u>
Cash and Cash Equivalents at End of Year	<u><u>\$375,435</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$285,804
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	163,698
Miscellaneous Nonoperating Revenue	200
Changes to Assets and Liabilities:	
Increase in Accounts Receivable	(65,974)
Increase in Inventory	(4,869)
Decrease in Accounts Payable	(2,106)
Increase in Accrued Wages and Benefits	38,391
Decrease in Intergovernmental Payables	(16,451)
Increase in Compensated Absences	9,895
Total Adjustments	<u>122,784</u>
Net Cash Provided by Operating Activities	<u><u>\$408,588</u></u>
<u>Schedule of Noncash Investing, Capital and Financing Activities:</u>	
As of December 31, 2000, the Water Fund had outstanding liabilities of \$9,242 for the purchase of certain capital assets.	

THE CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bellbrook, Ohio (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated on January 13, 1971. A charter was adopted on November 2, 1971. The municipal government provided by the charter is known as a Council-Manager form of government. Legislative power is vested in a seven-member council with a separately elected Mayor serving a two-year term and six council members elected to four-year terms. The council appoints the City Manager and the Clerk of Council. The City Manager is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which provide various services including police and fire protection, rescue squad, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare, water and refuse collection. Council and the City Manager are directly responsible for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City:

The Winter's Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies.

Sugarcreek Local School District is a distinct political subdivision of the State of Ohio operated under the direction of an elected school board which possesses its own budgeting and taxing authority and which is not fiscally dependent on the City.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for the payment of general and special assessment long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by the proprietary funds).

Proprietary Funds

The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary fund is included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and accumulated deficit components. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Agency Fund - This fund is used to account for assets held by a government unit as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the City except those accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2000 but which are not intended to finance 2000 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code 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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the Manager submits an annual tax 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—(Non-GAAP Budgetary Basis) All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. **Budgetary Basis of Accounting** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$30,660)	(\$17,103)	(\$2,886)	\$114,787
Increase (Decrease):				
Accrued Revenues at December 31, 2000 received during 2001	(105,797)	(31,685)	0	0
Accrued Revenues at December 31, 1999 received during 2000	101,922	50,546	0	0
Accrued Expenditures at December 31, 2000 paid during 2001	36,580	50,500	3,350	112,791
Accrued Expenditures at December 31, 1999 paid during 2000	(27,118)	(94,723)	(3,950)	(316,868)
2000 Prepays for 2001	0	0	0	0
Note Proceeds	0	0	0	500,000
Note Retirement	0	0	0	(1,000,000)
Outstanding Encumbrances	(66,707)	(15,879)	0	(103,013)
Budget Basis	<u>(\$91,780)</u>	<u>(\$58,344)</u>	<u>(\$3,486)</u>	<u>(\$692,303)</u>

E. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as the State Treasury Asset Reserve (STAR Ohio) and investments with original maturities of less than three months. STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider its share of equity in STAR Ohio to be cash equivalents. See Note 3, "Cash and Cash Equivalents."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost.

The City has invested funds in the STAR Ohio during 2000. 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, 2000. See Note 3, "Cash and Cash Equivalents".

G. Inventory

Inventory is stated at cost (first in, first out) in the governmental funds, and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by the ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

1. Property, Plant and Equipment - General Governmental Purposes (Continued)

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

The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

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

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

Description	Estimated Lives (Years)
Buildings	50
Improvements Other Than Buildings	10 - 15
Equipment	5 - 20
Vehicles	5 - 20
Infrastructure: Sewer and Water Lines	50

I. Long-Term Obligations

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

Obligation	Fund
General Obligation Bond	General Obligation Bond Retirement Debt Service Fund
Compensated Absences	Fund from which employees' salary is paid
Mortgage Revenue Bond Payable	Water Enterprise Fund
OPWC Loan Payable	Water Enterprise Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

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

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

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

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2000.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, debt service, and encumbered amounts that have not been accrued at year end.

N. Estimates

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

O. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficit at December 31, 2000 of \$6,291 in the Special Assessment Fund (capital projects fund) arises from the recognition of expenditures on a modified accrual basis of accounting which are greater than expenditures on the budgetary basis of accounting. The fund deficit at December 31, 2000 of \$478,074 in the Building Improvement Fund (capital projects fund) arises from the recording of general obligation notes payable within the fund. The accumulated deficit of \$1,633,505 in the Water Fund (enterprise fund) arises from the recording of long-term debt within the fund. The deficit does not exist under the cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.

NOTE 3 – CASH AND CASH EQUIVALENTS

Statutes require the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3 "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

At year end the carrying amount of the City's deposits was \$41,392 and the bank balance was \$121,761. Federal depository insurance covered \$3,669 of the deposits and bank balance. All remaining deposits were classed as Category 3.

The General Fund received total interest income of \$114,550 during 2000 of which, \$78,806 was earned by other funds.

B. Investments

The City's investments at December 31, 2000 are summarized below:

	<u>Fair Value</u>
STAR Ohio	\$1,160,250

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$1,201,642	\$0
Investments:		
STAR Ohio	<u>(1,160,250)</u>	<u>1,160,250</u>
Per GASB Statement No. 3	<u>\$41,392</u>	<u>\$1,160,250</u>

* Includes Cash with Fiscal Agent.

NOTE 4 - PROPERTY TAX

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, 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 and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder is payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2000 was \$17.50 per \$1,000 of assessed value. The assessed value upon which the 2000 collection was based was \$119,918,004. This amount constitutes \$112,738,500 in real property assessed value, \$5,352,700 in public utility assessed value and \$1,826,804 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2000 were based on a tax rate equal to 1.750% (17.50 mills) of assessed value.

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2000 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2000 consisted of taxes, interest, accounts receivable, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues.

NOTE 6 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2000:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$596,811
Special Revenue Fund:		
Fuel System Fund	211	0
Capital Projects Funds:		
Capital Improvement Fund	350,000	0
Building Improvement Fund	446,600	0
Total Capital Projects Funds	<u>796,600</u>	<u>0</u>
Enterprise Fund:		
Water Fund	0	200,000
Totals	<u>\$796,811</u>	<u>\$796,811</u>

NOTE 7 - INTERFUND BALANCES

Individual interfund balances at December 31, 2000 are as follows:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$6,300	\$0
Capital Projects Fund:		
Special Assessment Fund	0	6,300
Totals	<u>\$6,300</u>	<u>\$6,300</u>

NOTE 8 - FIXED ASSETS**A. General Fixed Assets**

Summary by category of changes in general fixed assets:

Category	December 31, 1999	Additions	Deletions	December 31, 2000
Land	\$362,551	\$0	\$0	\$362,551
Buildings and Improvements	781,016	2,017,966	0	2,798,982
Improvements other than Buildings	138,384	0	0	138,384
Equipment	1,306,397	191,436	(99,890)	1,397,943
Vehicles	389,342	171,279	0	560,621
Construction In Progress	1,307,458	0	(1,307,458)	0
Totals	\$4,285,148	\$2,380,681	(\$1,407,348)	\$5,258,481

B. Proprietary Fixed Assets

Summary by Category at December 31, 2000:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$383,096	\$0	\$383,096
Buildings and Improvements	2,166,253	(363,325)	1,802,928
Utility Structures in Services	8,810,020	(3,155,583)	5,654,437
Machinery and Equipment	337,454	(228,712)	108,742
Property, Plant and Equipment	\$11,696,823	(\$3,747,620)	\$7,949,203

NOTE 9 – DEFINED BENEFIT PENSION PLANS

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84%, of covered payroll, 6.54% to fund the pension and 4.3% to fund health care. The 1999 and 1998 employer contribution rates were 13.55%. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999 and 1998 were \$80,126, \$105,581 and \$93,197, respectively; 82% has been contributed for 2000 and 100% for 1999 and 1998. The unpaid contribution for 2000 is \$8,658, recorded in the General Long-Term Obligation Account Group and \$8,184 recorded in the Enterprise Funds.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3% of covered payroll which amounted to \$35,219.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio’s latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 is \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$58,847, \$82,318 and \$68,379 for police and \$39,873, \$40,085 and \$44,495 for firefighters, respectively; 65% has been contributed for 2000 and 100% for 1999 and 1998. The unpaid contribution for 2000 is \$32,104, recorded in the General Long-Term Obligation Account Group.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$33,815 representing 7.25% of covered payroll for police and \$12,045 representing 7.25% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

NOTE 10 – COMPENSATED ABSENCES

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 hours 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 to a maximum of 40 days. The total obligation for sick leave accrual for the City as a whole as of December 31, 2000 was \$49,495.

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 obligation for vacation leave and overtime pay for the City as a whole amounted to \$100,426 at December 31, 2000.

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 General Long-Term Obligations Account Group. The amount increased \$30,099 from a beginning year balance of \$94,074 to a year end balance of \$124,173.

NOTE 11 - NOTES PAYABLE

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

The City intends to retire its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

	Balance January 1, 2000	Issued (Retired)	Balance December 31, 2000
	<u> </u>	<u> </u>	<u> </u>
Capital Projects Funds Notes Payable:			
4.24% Building Improvement Bond Anticipation Note	\$1,000,000	(\$1,000,000)	\$0
4.80% Building Improvement Bond Anticipation Note	0	500,000	500,000
Total Notes Payable	<u>\$1,000,000</u>	<u>(\$500,000)</u>	<u>\$500,000</u>

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NOTE 12 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2000 were as follows:

	Balance December 31, 1999	Issued (Retired)	Balance December 31, 2000
Enterprise Funds:			
Revenue Bond:			
1982 5.00% Waterworks System	\$1,194,000	(\$32,000)	\$1,162,000
Ohio Public Works Commission Loan:			
1995 0.00% Elevated Water Storage Tank	412,500	(25,000)	387,500
Total Enterprise Long-Term Debt	\$1,606,500	(\$57,000)	\$1,549,500
General Long-Term Debt:			
General Obligation Bond:			
1980 10.00% Municipal Building	\$6,000	(\$3,000)	\$3,000
Total General Long-Term Debt	6,000	(3,000)	3,000
Other Long-Term Obligations:			
Compensated Absences	94,074	30,099	124,173
Intergovernmental Payable	43,707	(2,945)	40,762
Total Other Long-Term Obligations	137,781	27,154	164,935
Total General Long-Term Debt and Other Long-Term Obligations	\$143,781	\$24,154	\$167,935

Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2000, follows:

Years	Revenue Bond		OPWC Loan		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$33,000	\$58,100	\$12,500	\$0	\$3,000	\$300
2002	34,000	56,450	25,000	0	0	0
2003	36,000	54,750	25,000	0	0	0
2004	38,000	52,950	25,000	0	0	0
2005	40,000	51,050	25,000	0	0	0
2006-2010	229,000	223,450	125,000	0	0	0
2011-2015	292,000	160,150	125,000	0	0	0
2016-2020	373,000	79,450	25,000	0	0	0
2021	87,000	4,350	0	0	0	0
Totals	\$1,162,000	\$740,700	\$387,500	\$0	\$3,000	\$300

NOTE 13 - CONTRIBUTED CAPITAL

During 2000, there were no changes to contributed capital reported by the City:

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

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution and waste collection. The key financial information for these enterprise activities is as follows:

	<u>Water</u>	<u>Waste Collection</u>	<u>Total</u>
Operating Revenues	\$1,213,114	\$315,374	\$1,528,488
Depreciation	163,698	0	163,698
Operating Income	276,218	9,586	285,804
Operating Transfers Out	200,000	0	200,000
Net Income	22,676	9,586	32,262
Property, Plant and Equipment:			
Additions	98,819	0	98,819
Deletions	(6,426)	0	(6,426)
Total Assets	8,647,911	38,913	8,686,824
Net Working Capital	596,040	16,502	612,542
Bonds and Loans Payable	1,549,500	0	1,549,500
Total Equity	6,969,995	16,502	6,986,497

NOTE 15 - CONTINGENCIES

A. Litigation

The City is a 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.

B. Federal and State Grants

For the period January 1, 2000 to December 31, 2000 the City received federal and state grants for the specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 16 - INSURANCE AND RISK MANAGEMENT

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

Type of Coverage	Coverage	Deductible
Property Insurance	\$6,365,898	\$500
General Liability	\$5/7,000,000	\$0
Police Liability	\$5/6,000,000	\$2,500
Wrongful Acts	\$5/6,000,000	\$2,500
Crime	\$2,500	\$0
Inland Marine	\$463,320	\$250
Fire Vehicle	\$1,010,000	\$250
Automobile	\$5,000,000	\$250/\$250
Electronic Data and Equipment	\$170,865	\$250
Bond	\$25,000	\$0

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

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

NOTE 17 - CONSTRUCTION COMMITMENTS

As of December 31, 2000, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
City Building Renovation	\$44,468	January 2001
Water Tower Radio System	9,242	March 2001
Total	\$53,710	

THE CITY OF BELLBROOK, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	Balance December 31, 1999	Additions	Deductions	Balance December 31, 2000
<u>Performance Bond</u>				
Assets:				
Cash and Cash Equivalents	\$7,034	\$88,714	(\$33,118)	\$62,630
Accounts Receivable	10,786	0	(10,786)	0
Total Assets	<u>\$17,820</u>	<u>\$88,714</u>	<u>(\$43,904)</u>	<u>\$62,630</u>
Liabilities:				
Accounts Payable	\$270	\$0	(\$270)	\$0
Due to Others	17,550	88,714	(43,634)	62,630
Total Liabilities	<u>\$17,820</u>	<u>\$88,714</u>	<u>(\$43,904)</u>	<u>\$62,630</u>

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

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

We have audited the financial statements of the City of Bellbrook, as of and for the year ended December 31, 2000, and have issued our report thereon dated May 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Bellbrook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the City of Bellbrook in a separate letter dated May 25, 2001.

Members of Council and Mayor
City of Bellbrook

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-COB-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 25, 2001.

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

Trimble, Julian & Grube, Inc.
May 25, 2001

**CITY OF BELLBROOK
GREENE COUNTY, OHIO
DECEMBER 31, 2000**

SCHEDULE OF FINDINGS

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

Finding Number	2000-COB-001
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The City of Bellbrook, in preparation of its general purpose financial statements, determined the value to be reported for fixed assets, by having each department head prepare a list of fixed assets and estimate the cost of the asset when purchased.

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

The City did not have documentation supporting the recorded value of its fixed assets or documentation supporting the methodology used in estimating the value of its fixed assets. Failure to maintain such documentation could result in a material misstatement of the City's financial statements.

To reduce this risk the City should either:

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 24, 2001**