

THE CITY OF BELLBROOK, OHIO

GREENE COUNTY

GENERAL PURPOSE
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2001 and 2002

AUDITED

Prepared by:
Dave Hamilton
Director of Finance



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Bellbrook, Greene County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2001 to December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

July 14, 2003

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**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

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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, Ohio as of and for the years ended December 31, 2002 and 2001. These general purpose financial statements are the responsibility of the City of Bellbrook's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

As disclosed in Note 2 to the general purpose financial statements for the year ended December 31, 2001, the City implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33.

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, 2002 and 2001 (stated at \$5,512,003 and \$10,503,017, and \$5,384,459 and \$8,269,707, respectively) or the amount of depreciation expense at December 31, 2002 and 2001 (stated at \$758,289 and \$104,899, respectively) reported in the Proprietary Fund Type. The City was unable to provide evidence supporting the cost of fixed assets acquired prior to January 1, 1998 and the City's records do not permit the application of other auditing procedures to 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, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Bellbrook, Greene County, as of December 31, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of Council and Mayor
City of Bellbrook

In accordance with *Government Auditing Standard*, we have also issued our report dated April 25, 2003, 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.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the City, taken as a whole. The Statement of Changes in Assets and Liabilities – Agency Fund – 2002 and 2001 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures, applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
April 25, 2003

THE CITY OF BELLBROOK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	Governmental			Proprietary		Fiduciary		Account		Totals
	Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	Long-Term Obligations	(Memorandum Only)		
Assets and Other Debits:										
Assets:										
Cash and Cash Equivalents	\$351,458	\$97,642	\$247,535	\$455,142	\$71,364	\$0	\$0	\$1,223,141		
Receivables (net of allowance for doubtful accounts):										
Taxes	467,069	1,271,064	0	0	0	0	0	1,738,133		
Accounts	19,983	19,432	0	259,708	0	0	0	299,123		
Special Assessments	0	0	1,813	0	0	0	0	1,813		
Advances to other Funds	101,445	0	0	0	0	0	0	101,445		
Intergovernmental Receivables	187,407	213,050	0	0	0	0	0	400,457		
Inventory of Supplies at Cost	0	10,049	0	63,481	0	0	0	73,530		
Restricted Assets:										
Cash with Fiscal Agent	0	6,055	0	0	0	0	0	6,055		
Fixed Assets (net of accumulated depreciation)	0	0	0	10,503,017	0	5,512,003	0	16,015,020		
Other Debits:										
Amount to be Provided for										
General Long-Term Obligations	0	0	0	0	0	0	223,975	223,975		
Total Assets and Other Debits	\$1,127,362	\$1,617,292	\$249,348	\$111,281,348	\$71,364	\$5,512,003	\$223,975	\$20,082,692		

(Continued)

**THE CITY OF BELLBROOK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002**

	Governmental			Proprietary			Fiduciary			Account		
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)				
Liabilities, Equity and Other Credits:												
Liabilities:												
Accounts Payable	\$5,794	\$5,605	\$0	\$55,438	\$0	\$0	\$0	\$66,837				
Accrued Wages and Benefits	6,784	40,788	0	41,584	0	0	0	89,156				
Due to Others	0	0	0	0	71,364	0	0	71,364				
Advances from other Funds	0	100,000	1,445	0	0	0	0	101,445				
Intergovernmental Payable	15,130	0	0	496	0	0	55,083	70,709				
Due to Other Governments	0	11,500	0	0	0	0	0	11,500				
Accrued Interest Payable	0	0	0	31,938	0	0	0	31,938				
Deferred Revenue	579,633	1,400,602	1,813	0	0	0	0	1,982,048				
Compensated Absences Payable	0	0	0	41,359	0	0	168,892	210,251				
Ohio Public Works Commission Loan Payable	0	0	0	337,500	0	0	0	337,500				
Mortgage Revenue Bond Payable	0	0	0	1,095,000	0	0	0	1,095,000				
Total Liabilities	607,341	1,558,495	3,258	1,603,315	71,364	0	223,975	4,067,748				
Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	5,512,003	0	5,512,003				
Contributed Capital	0	0	0	8,603,500	0	0	0	8,603,500				
Retained Earnings:												
Unreserved	0	0	0	1,074,533	0	0	0	1,074,533				
Fund Balances:												
Reserved for Encumbrances	48,260	35,925	156,087	0	0	0	0	240,272				
Reserved for Supplies Inventory	0	10,049	0	0	0	0	0	10,049				
Reserved for Advances	101,445	0	0	0	0	0	0	101,445				
Reserved for Restricted Assets	0	6,055	0	0	0	0	0	6,055				
Unreserved:												
Undesignated	370,316	6,768	90,003	0	0	0	0	467,087				
Total Equity and Other Credits	520,021	58,797	246,090	9,678,033	0	5,512,003	0	16,014,944				
Total Liabilities, Equity and Other Credits	\$1,127,362	\$1,617,292	\$249,348	\$11,281,348	\$71,364	\$5,512,003	\$223,975	\$20,082,692				

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/(DEFICITS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<i>Governmental Fund Types</i>			Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Projects Funds	
Revenues:				
Property and Other Taxes	\$303,352	\$1,259,936	\$100,000	\$1,663,288
Intergovernmental Revenues	378,774	494,633	30,968	904,375
Charges for Services	16,873	40,893	0	57,766
Licenses and Permits	136,973	9,500	0	146,473
Investment Earnings	28,450	126	0	28,576
Special Assessments	0	0	2,525	2,525
All Other Revenues	27,095	5,176	0	32,271
Total Revenues	<u>891,517</u>	<u>1,810,264</u>	<u>133,493</u>	<u>2,835,274</u>
Expenditures:				
Current:				
Security of Persons and Property	90,038	1,520,568	0	1,610,606
Public Health and Welfare Services	319	0	0	319
Leisure Time Activities	17,132	218	0	17,350
Community Environment	26,958	0	0	26,958
Transportation	0	279,477	0	279,477
General Government	361,075	735	148	361,958
Capital Outlay	0	0	317,699	317,699
Debt Service:				
Interest and Fiscal Charges	0	0	8,590	8,590
Total Expenditures	<u>495,522</u>	<u>1,800,998</u>	<u>326,437</u>	<u>2,622,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	395,995	9,266	(192,944)	212,317
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	6,926	0	0	6,926
Operating Transfers In	0	169	710,690	710,859
Operating Transfers Out	<u>(510,859)</u>	<u>0</u>	<u>0</u>	<u>(510,859)</u>
Total Other Financing Sources (Uses)	<u>(503,933)</u>	<u>169</u>	<u>710,690</u>	<u>206,926</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(107,938)	9,435	517,746	419,243
Fund Balances (Deficit) Beginning of Year	627,959	66,673	(271,656)	422,976
Decrease in Inventory Reserve	0	(17,311)	0	(17,311)
Fund Balances End of Year	<u>\$520,021</u>	<u>\$58,797</u>	<u>\$246,090</u>	<u>\$824,908</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, 2002

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$279,801	\$293,311	\$13,510	\$1,204,915	\$1,235,966	\$31,051
Intergovernmental Revenues	342,024	401,500	59,476	515,365	534,519	19,154
Charges for Services	15,000	16,982	1,982	21,500	24,961	3,461
Licenses and Permits	125,000	135,000	10,000	0	6,000	6,000
Investment Earnings	25,000	28,450	3,450	0	144	144
Special Assessments	0	0	0	0	0	0
All Other Revenues	33,965	35,659	1,694	39,752	5,206	(34,546)
Total Revenues	820,790	910,902	90,112	1,781,532	1,806,796	25,264
Expenditures:						
Current:						
Security of Persons and Property	155,072	131,641	23,431	1,526,699	1,516,179	10,520
Public Health and Welfare Services	5,000	319	4,681	0	0	0
Leisure Time Activities	25,200	17,318	7,882	300	218	82
Community Environment	50,700	26,826	23,874	0	0	0
Transportation	5,000	0	5,000	325,286	310,009	15,277
General Government	479,585	388,413	91,172	3,000	735	2,265
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	720,557	564,517	156,040	1,855,285	1,827,141	28,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,233	346,385	246,152	(73,753)	(20,345)	53,408
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	6,926	6,926	0	0	0
Operating Transfers In	0	0	0	200	169	(31)
Operating Transfers Out	(512,000)	(510,859)	1,141	0	0	0
Advances In	53,822	52,377	(1,445)	0	0	0
Advances Out	0	0	0	(50,000)	(50,000)	0
Total Other Financing Sources (Uses)	(458,178)	(451,556)	6,622	(49,800)	(49,831)	(31)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(357,945)	(105,171)	252,774	(123,553)	(70,176)	53,377
Fund Balance at Beginning of Year	359,467	359,467	0	77,568	77,568	0
Prior Year Encumbrances	28,857	28,857	0	49,085	49,085	0
Fund Balance at End of Year	\$30,379	\$283,153	\$252,774	\$3,100	\$56,477	\$53,377

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, 2002

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised		Variance:	Revised		Variance:	Revised		Variance:
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$1,584,716	\$1,629,277	\$44,561
0	0	0	0	0	0	857,389	936,019	78,630
0	0	0	0	0	0	36,500	41,943	5,443
0	0	0	0	0	0	125,000	141,000	16,000
0	0	0	0	0	0	25,000	28,594	3,594
0	0	0	2,525	2,525	0	2,525	2,525	0
0	0	0	0	0	0	73,717	40,865	(32,852)
100,000	100,000	0	2,525	2,525	0	2,704,847	2,820,223	115,376
0	0	0	0	0	0	1,681,771	1,647,820	33,951
0	0	0	0	0	0	5,000	319	4,681
0	0	0	0	0	0	25,500	17,536	7,964
0	0	0	0	0	0	50,700	26,826	23,874
0	0	0	0	0	0	330,286	310,009	20,277
0	0	0	148	148	0	482,733	389,296	93,437
0	0	0	506,011	444,629	61,382	506,011	444,629	61,382
400,000	400,000	0	0	0	0	400,000	400,000	0
10,740	10,740	0	0	0	0	10,740	10,740	0
410,740	410,740	0	506,159	444,777	61,382	3,492,741	3,247,175	245,566
(310,740)	(310,740)	0	(503,634)	(442,252)	61,382	(787,894)	(426,952)	360,942
0	0	0	0	0	0	0	6,926	6,926
310,690	310,690	0	400,000	400,000	0	710,890	710,859	(31)
0	0	0	0	0	0	(512,000)	(510,859)	1,141
0	0	0	0	0	0	53,822	52,377	(1,445)
0	0	0	(2,377)	(2,377)	0	(52,377)	(52,377)	0
310,690	310,690	0	397,623	397,623	0	200,335	206,926	6,591
(50)	(50)	0	(106,011)	(44,629)	61,382	(587,559)	(220,026)	367,533
50	50	0	80,066	80,066	0	517,151	517,151	0
0	0	0	56,011	56,011	0	133,953	133,953	0
\$0	\$0	\$0	\$30,066	\$91,448	\$61,382	\$63,545	\$431,078	\$367,533

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN ACCUMULATED DEFICIT/RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u><i>Proprietary Fund Type</i></u>
	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,521,302
Tap in Fees	121,900
Other Operating Revenues	8,395
Total Operating Revenues	<u>1,651,597</u>
<u>Operating Expenses:</u>	
Personal Services	639,553
Materials and Supplies	72,809
Contractual Services	565,157
Depreciation	758,289
Other Operating Expenses	2,435
Total Operating Expenses	<u>2,038,243</u>
Operating Loss	(386,646)
<u>Nonoperating Revenues (Expenses):</u>	
Capital Contributions	2,919,885
Interest and Fiscal Charges	(55,459)
Nonoperating Revenues	360
Loss on Disposal of Fixed Assets	(948)
Total Nonoperating Revenues (Expenses)	<u>2,863,838</u>
Income Before Operating Transfers	2,477,192
<u>Operating Transfers:</u>	
Operating Transfers Out	<u>(200,000)</u>
Total Operating Transfers	<u>(200,000)</u>
Net Income	2,277,192
Accumulated Deficit at Beginning of Year	<u>(1,202,659)</u>
Retained Earnings at End of Year	<u><u>\$1,074,533</u></u>

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

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u><i>Proprietary Fund Type</i></u>
	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,619,183
Cash Payments for Goods and Services	(641,947)
Cash Payments to Employees	(616,270)
Net Cash Provided by Operating Activities	<u>360,966</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	(72,662)
Principal Paid on Revenue Bond	(34,000)
Principal Paid on Ohio Public Works Commission Loan	(25,000)
Interest Paid on All Debt	(56,450)
Net Cash Used for Capital and Related Financing Activities	<u>(188,112)</u>
Net Decrease in Cash and Cash Equivalents	(27,146)
Cash and Cash Equivalents at Beginning of Year	<u>482,288</u>
Cash and Cash Equivalents at End of Year	<u><u>\$455,142</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$386,646)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	758,289
Miscellaneous Nonoperating Revenue	360
Changes to Assets and Liabilities:	
Increase in Accounts Receivable	(32,774)
Increase in Inventory	(3,105)
Increase in Accounts Payable	1,063
Increase in Accrued Wages and Benefits	12,434
Increase in Intergovernmental Payable	496
Increase in Compensated Absences	10,849
Total Adjustments	<u>747,612</u>
Net Cash Provided by Operating Activities	<u><u>\$360,966</u></u>

Schedule of Noncash Investing, Capital and Financing Activities:

The Water Fund received \$2,919,885 of capital assets contributed from outside sources.

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

**THE CITY OF BELLBROOK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001**

	Governmental			Proprietary			Fiduciary			Account		
	Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)			
Assets and Other Debits:												
Assets:												
Cash and Cash Equivalents	\$388,324	\$126,653	\$0	\$136,077	\$482,288	\$62,326	\$0	\$0	\$1,195,668			
Cash and Cash Equivalents with Fiscal Agent Receivables (net of allowance for doubtful accounts):	0	0	50	0	0	0	0	0	50			
Taxes	463,769	1,222,985	0	0	0	0	0	0	1,686,754			
Accounts	30,299	2,613	0	0	226,934	0	0	0	259,846			
Special Assessments	0	0	0	4,338	0	0	0	0	4,338			
Interest	0	33	0	0	0	0	0	0	33			
Advances to other Funds	153,822	0	0	0	0	0	0	0	153,822			
Intergovernmental Receivables	202,468	225,208	0	0	0	0	0	0	427,676			
Inventory of Supplies at Cost	0	27,360	0	0	60,376	0	0	0	87,736			
Restricted Assets:												
Cash with Fiscal Agent	0	22,458	0	0	0	0	0	0	22,458			
Fixed Assets (net of accumulated depreciation)	0	0	0	0	8,269,707	0	5,384,459	0	13,654,166			
Other Debits:												
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	0	191,703			
Total Assets and Other Debits	\$1,238,682	\$1,627,310	\$50	\$140,415	\$9,039,305	\$62,326	\$5,384,459	\$191,703	\$17,684,250			

(Continued)

THE CITY OF BELLBROOK, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	Governmental			Proprietary			Fiduciary			Account		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Agency Fund	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)			
<u>Liabilities, Equity and Other Credits:</u>												
Liabilities:												
Accounts Payable	\$6,386	\$6,271	\$0	\$1,811	\$54,375	\$0	\$0	\$0	\$68,843			
Accrued Wages and Benefits	5,163	33,371	0	0	29,150	0	0	0	67,684			
Due to Others	0	0	0	0	0	62,326	0	0	62,326			
Advances from other Funds	0	150,000	0	3,822	0	0	0	0	153,822			
Intergovernmental Payable	16,849	0	0	0	0	0	0	48,335	65,184			
Due to Other Governments	0	3,229	0	0	0	0	0	0	3,229			
Accrued Interest Payable	0	0	0	2,100	32,929	0	0	0	35,029			
Matured Bonds and Interest Payable	0	0	50	0	0	0	0	0	50			
Deferred Revenue	582,325	1,367,766	0	4,338	0	0	0	0	1,954,429			
General Obligation Note Payable	0	0	0	400,000	0	0	0	0	400,000			
Compensated Absences Payable	0	0	0	0	30,510	0	0	143,368	173,878			
Ohio Public Works Commission Loan Payable	0	0	0	0	362,500	0	0	0	362,500			
Mortgage Revenue Bond Payable	0	0	0	0	1,129,000	0	0	0	1,129,000			
Total Liabilities	610,723	1,560,637	50	412,071	1,638,464	62,326	0	191,703	4,475,974			
Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	0	5,384,459	0	5,384,459			
Contributed Capital	0	0	0	0	8,603,500	0	0	0	8,603,500			
Accumulated Deficit:												
Unreserved	0	0	0	0	(1,202,659)	0	0	0	(1,202,659)			
Fund Balances:												
Reserved for Encumbrances	7,567	43,696	0	54,200	0	0	0	0	105,463			
Reserved for Supplies Inventory	0	27,360	0	0	0	0	0	0	27,360			
Reserved for Advances	153,822	0	0	0	0	0	0	0	153,822			
Reserved for Restricted Assets	0	22,458	0	0	0	0	0	0	22,458			
Unreserved:												
Undesignated	466,570	(26,841)	0	(325,856)	0	0	0	0	113,873			
Total Equity and Other Credits	627,959	66,673	0	(271,656)	7,400,841	0	5,384,459	0	13,208,276			
Total Liabilities, Equity and Other Credits	\$1,238,682	\$1,627,310	\$50	\$140,415	\$9,039,305	\$62,326	\$5,384,459	\$191,703	\$17,684,250			

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/(DEFICITS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	
Revenues:					
Property and Other Taxes	\$297,158	\$1,060,221	\$1,900	\$98,100	\$1,457,379
Intergovernmental Revenues	321,787	495,778	0	0	817,565
Charges for Services	16,276	597	0	0	16,873
Licenses and Permits	118,741	0	0	0	118,741
Investment Earnings	62,367	182	0	0	62,549
Special Assessments	0	0	0	2,638	2,638
Refunds and Reimbursements	29,366	0	0	0	29,366
All Other Revenues	28,336	24,698	0	0	53,034
Total Revenues	874,031	1,581,476	1,900	100,738	2,558,145
Expenditures:					
Current:					
Security of Persons and Property	129,733	1,320,819	0	0	1,450,552
Public Health and Welfare Services	825	0	0	0	825
Leisure Time Activities	8,305	0	0	0	8,305
Community Environment	33,326	0	0	0	33,326
Transportation	0	248,788	0	0	248,788
General Government	344,356	274	0	169	344,799
Capital Outlay	0	58,442	0	297,762	356,204
Debt Service:					
Principal Retirement	0	0	3,000	0	3,000
Interest and Fiscal Charges	0	0	161	21,433	21,594
Total Expenditures	516,545	1,628,323	3,161	319,364	2,467,393
Excess (Deficiency) of Revenues Over (Under) Expenditures	357,486	(46,847)	(1,261)	(218,626)	90,752
Other Financing Sources (Uses):					
Operating Transfers In	0	168	0	225,900	226,068
Operating Transfers Out	(226,068)	0	0	0	(226,068)
Proceeds from Sale of Fixed Assets	3,389	0	0	0	3,389
Total Other Financing Sources (Uses)	(222,679)	168	0	225,900	3,389
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	134,807	(46,679)	(1,261)	7,274	94,141
Restated Fund Balances (Deficit) Beginning of Year	493,152	98,280	1,261	(278,930)	313,763
Increase in Inventory Reserve	0	15,072	0	0	15,072
Fund Balances (Deficit) End of Year	\$627,959	\$66,673	\$0	(\$271,656)	\$422,976

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

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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, 2001

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$284,679	\$300,315	\$15,636	\$1,080,957	\$1,065,230	(\$15,727)
Intergovernmental Revenues	360,603	362,936	2,333	443,748	471,599	27,851
Charges for Services	15,000	16,167	1,167	400	597	197
Licenses and Permits	125,000	117,230	(7,770)	0	0	0
Investment Earnings	62,500	62,367	(133)	0	200	200
Special Assessments	0	0	0	0	0	0
Refunds and Reimbursements	0	29,366	29,366	0	0	0
All Other Revenues	23,000	19,909	(3,091)	25,000	24,668	(332)
Total Revenues	870,782	908,290	37,508	1,550,105	1,562,294	12,189
Expenditures:						
Current:						
Security of Persons and Property	219,152	136,781	82,371	1,415,223	1,363,517	51,706
Public Health and Welfare Services	5,000	825	4,175	0	0	0
Leisure Time Activities	28,795	8,533	20,262	300	0	300
Community Environment	52,700	32,117	20,583	0	0	0
Transportation	5,000	0	5,000	269,156	262,804	6,352
General Government	491,760	375,328	116,432	3,000	274	2,726
Capital Outlay	0	0	0	62,000	58,442	3,558
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	802,407	553,584	248,823	1,749,679	1,685,037	64,642
Excess (Deficiency) of Revenues Over (Under) Expenditures	68,375	354,706	286,331	(199,574)	(122,743)	76,831
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	3,389	3,389	0	0	0
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	200	168	(32)
Operating Transfers Out	(228,300)	(226,068)	2,232	0	0	0
Advances In	6,300	2,478	(3,822)	150,000	150,000	0
Advances Out	(150,000)	(150,000)	0	0	0	0
Total Other Financing Sources (Uses)	(372,000)	(370,201)	1,799	150,200	150,168	(32)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(303,625)	(15,495)	288,130	(49,374)	27,425	76,799
Fund Balance at Beginning of Year	308,255	308,255	0	34,264	34,264	0
Prior Year Encumbrances	66,707	66,707	0	15,879	15,879	0
Fund Balance at End of Year	\$71,337	\$359,467	\$288,130	\$769	\$77,568	\$76,799

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, 2001

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised		Variance:	Revised		Variance:	Revised		Variance:
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$1,465,636	\$1,465,545	(\$91)
0	0	0	0	0	0	804,351	834,535	30,184
0	0	0	0	0	0	15,400	16,764	1,364
0	0	0	0	0	0	125,000	117,230	(7,770)
0	0	0	0	0	0	62,500	62,567	67
0	0	0	2,638	2,638	0	2,638	2,638	0
0	0	0	0	0	0	0	29,366	29,366
0	0	0	0	0	0	48,000	44,577	(3,423)
100,000	100,000	0	2,638	2,638	0	2,523,525	2,573,222	49,697
0	0	0	0	0	0	1,634,375	1,500,298	134,077
0	0	0	0	0	0	5,000	825	4,175
0	0	0	0	0	0	29,095	8,533	20,562
0	0	0	0	0	0	52,700	32,117	20,583
0	0	0	0	0	0	274,156	262,804	11,352
0	0	0	169	169	0	494,929	375,771	119,158
0	0	0	528,417	453,786	74,631	590,417	512,228	78,189
503,000	503,000	0	0	0	0	503,000	503,000	0
27,461	27,461	0	0	0	0	27,461	27,461	0
530,461	530,461	0	528,586	453,955	74,631	3,611,133	3,223,037	388,096
(430,461)	(430,461)	0	(525,948)	(451,317)	74,631	(1,087,608)	(649,815)	437,793
0	0	0	0	0	0	0	3,389	3,389
400,000	400,000	0	0	0	0	400,000	400,000	0
25,900	25,900	0	200,000	200,000	0	226,100	226,068	(32)
0	0	0	0	0	0	(228,300)	(226,068)	2,232
0	0	0	0	0	0	156,300	152,478	(3,822)
0	0	0	(2,478)	(2,478)	0	(152,478)	(152,478)	0
425,900	425,900	0	197,522	197,522	0	401,622	403,389	1,767
(4,561)	(4,561)	0	(328,426)	(253,795)	74,631	(685,986)	(246,426)	439,560
4,611	4,611	0	230,848	230,848	0	577,978	577,978	0
0	0	0	103,013	103,013	0	185,599	185,599	0
\$50	\$50	\$0	\$5,435	\$80,066	\$74,631	\$77,591	\$517,151	\$439,560

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Proprietary Fund Type</i>
	<i>Enterprise Funds</i>
<u>Operating Revenues:</u>	
Charges for Services	\$1,400,230
Tap in Fees	89,100
Other Operating Revenues	11,906
Total Operating Revenues	1,501,236
<u>Operating Expenses:</u>	
Personal Services	563,628
Materials and Supplies	60,733
Contractual Services	557,223
Depreciation	104,899
Other Operating Expenses	6,006
Total Operating Expenses	1,292,489
Operating Income	208,747
<u>Nonoperating Revenues (Expenses):</u>	
Interest and Fiscal Charges	(57,137)
Nonoperating Revenues	341,604
Total Nonoperating Revenues (Expenses)	284,467
Net Income	493,214
Restated Accumulated Deficit at Beginning of Year	(1,695,873)
Accumulated Deficit at End of Year	(\$1,202,659)

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

THE CITY OF BELLBROOK, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u><i>Proprietary Fund Type</i></u>
	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,497,520
Cash Payments for Goods and Services	(615,146)
Cash Payments to Employees	(575,242)
Net Cash Provided by Operating Activities	<u>307,132</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	(84,179)
Principal Paid on Revenue Bonds	(33,000)
Principal Paid on Ohio Public Works Commission Loan	(25,000)
Interest Paid on All Debt	(58,100)
Net Cash Used for Capital and Related Financing Activities	<u>(200,279)</u>
Net Increase in Cash and Cash Equivalents	106,853
Cash and Cash Equivalents at Beginning of Year	<u>375,435</u>
Cash and Cash Equivalents at End of Year	<u><u>\$482,288</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$208,747
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	104,899
Miscellaneous Nonoperating Revenue	380
Changes to Assets and Liabilities:	
Increase in Accounts Receivable	(4,096)
Decrease in Inventory	102
Increase in Accounts Payable	8,714
Decrease in Accrued Wages and Benefits	(16,376)
Increase in Compensated Absences	4,762
Total Adjustments	<u>98,385</u>
Net Cash Provided by Operating Activities	<u><u>\$307,132</u></u>

THE CITY OF BELLBROOK, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

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.

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups and the results of operations of the various fund types. The financial statements are presented as of December 31, 2002 and 2001 and for the years then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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:

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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.

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, 2002 and 2001 but which are not intended to finance 2002 and 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 City 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.

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 2002 and 2001.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

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).

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

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				
2002:	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$107,938)	\$9,435	\$0	\$517,746
Increase (Decrease):				
Accrued Revenues at December 31, 2002 received during 2003	(196,271)	(102,944)	0	0
Accrued Revenues at December 31, 2001 received during 2002	268,033	83,073	0	0
Accrued Expenditures at December 31, 2002 paid during 2003	27,708	157,893	0	1,445
Accrued Expenditures at December 31, 2001 paid during 2002	(28,398)	(192,871)	(50)	(7,733)
Note Retirement	0	0	0	(400,000)
Change in Cash with Fiscal Agent	0	16,403	0	0
Outstanding Encumbrances	(68,305)	(41,165)	0	(156,087)
Budget Basis	<u>(\$105,171)</u>	<u>(\$70,176)</u>	<u>(\$50)</u>	<u>(\$44,629)</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
2001:	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$134,807	(\$46,679)	(\$1,261)	\$7,274
Increase (Decrease):				
Accrued Revenues at December 31, 2001 received during 2002	(268,033)	(83,073)	0	0
Accrued Revenues at December 31, 2000 received during 2001	154,770	73,952	0	0
Accrued Expenditures at December 31, 2001 paid during 2002	28,398	192,871	50	7,733
Accrued Expenditures at December 31, 2000 paid during 2001	(36,580)	(50,500)	(3,350)	(112,791)
Note Proceeds	0	0	0	400,000
Note Retirement	0	0	0	(500,000)
Changes in Cash with Fiscal Agent	0	(10,061)	0	0
Outstanding Encumbrances	(28,857)	(49,085)	0	(56,011)
Budget Basis	<u>(\$15,495)</u>	<u>\$27,425</u>	<u>(\$4,561)</u>	<u>(\$253,795)</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 4, "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 (repurchase agreements) which are reported at cost.

The City has invested funds in the STAR Ohio. 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, 2002 and 2001. See Note 4, "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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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:

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

I. Contributed Capital

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

J. Long-Term Obligations

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 Absences." The termination payment method was implemented and states that the City's sick leave liability generally would be an estimate based on past experience of making termination payments for sick leave, adjusted for the effect of changes in its termination payment policy and other current factors. The amount is calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated by current employees as of the balance sheet date.

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

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

L. Pensions

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

M. 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 2002 and 2001.

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)

N. 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 encumbered amounts, supplies inventory, advances and restricted assets.

O. 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.

P. 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 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/ACCUMULATED DEFICIT

The beginning fund balance of the special revenue funds has been restated to correct an error in the accounting for cash on deposit with the Greene County Treasurer for permissive license tax. In addition, for fiscal year 2001, the City has implemented GASB Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions.*” and GASB Statement No. 36 “*Recipient Reporting for Certain Shared Nonexchange Revenues*”. At December 31, 2000, the correction of the accounting error and the implementation of GASB Statement No. 33 and 36 had the following effect on fund balances:

Fund Name	Fund Balance as Reported 12/31/00	Accounting Error Adjustment	GASB 33/36 Implementation	Fund Balance as Restated 12/31/00
General Fund	\$444,179	\$0	\$48,973	\$493,152
Special Revenue Funds	43,616	12,397	42,267	98,280

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/ACCUMULATED DEFICIT (Continued)

In addition to the above noted change to fund balance the restatement of fund balances had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:

Fund Name	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Reported 12/31/00	Accounting Error Adjustment	GASB 33/36 Implementation	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses as Restated 12/31/00
General Fund	(\$30,660)	\$0	\$48,973	\$18,313
Special Revenue Funds	(17,103)	12,397	42,267	37,561

Also during 2001, certain adjustments were made to the beginning accumulated deficit balance of the enterprise funds due to an accounting error in the reporting of accounts receivables. This resulted in the following change to the beginning accumulated deficit balance in the enterprise funds:

Fund Name	Accumulated Deficit as Reported 12/31/00	Restate Accounts Receivable	Accumulated Deficit as Restated 12/31/00
Enterprise Funds	(\$1,617,003)	(\$78,870)	(\$1,695,873)

In addition to the above noted changes to the accumulated deficit, the restatement had the following effect on prior year net income/(loss):

Fund Name	Net Income as Reported 12/31/00	Restate Accounts Receivable	Net Loss as Restated 12/31/00
Enterprise Funds	\$32,262	(\$78,870)	(\$46,608)

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 2002 and 2001 of \$82,075 and \$97,145, respectively, in the Police Fund (special revenue fund) and \$1,445 and \$3,822, respectively, in the Special Assessment Fund (capital projects fund), and the fund deficit at December 31, 2001 of \$402,100 in the Building Improvement Fund (capital projects fund) arose from the recognition of expenditures under the modified accrual basis of accounting, which are greater than expenditures under the budgetary basis of accounting. The accumulated deficit at December 31, 2001 of \$1,238,255 in the Water Fund (enterprise fund) arose from the recognition of expenses on the accrual basis of accounting, which are greater than expenses on the cash basis of accounting. Deficits did not exist under the cash basis of accounting. The General Fund provides operating transfers when cash is required, not when accruals occur.

NOTE 4 – 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).

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

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

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.

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

At December 31, 2002 and 2001, the City had \$6,055 and \$22,458, respectively, on deposit with the Greene County Treasurer for permissive tax funds collected but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from the Greene County Comprehensive Annual Financial Report for the year ended December 31, 2002 and 2001.

A. Deposits

At December 31, 2002 the carrying amount of the City's deposits was an overdraft of \$31,230 and the bank balance was \$2,345. At December 31, 2001 the carrying amount of the City's deposits was an overdraft of \$54,475 and the bank balance was \$1,359. Federal depository insurance covered \$2,345 and \$1,359, respectively, of the deposits and bank balance at December 31, 2002 and 2001. All remaining deposits were classed as Category 3. Liabilities were not recorded for the negative carrying amounts of the City's deposits due to the "zero-balance" nature of the City's bank accounts. The deposit balances did not include cash on deposit with the Greene County Treasurer reported in the special revenue funds. (See above).

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

The General Fund received total interest income of \$28,450 during 2002 of which, \$20,275 was earned by other funds. During 2001, the General Fund received total interest income of \$62,367 of which, \$42,113 was earned by other funds.

B. Investments

The City's investments at December 31, 2002 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Repurchase Agreement	\$0	\$40,910	\$40,910
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	1,213,461
Total Investments	<u>\$0</u>	<u>\$40,910</u>	<u>\$1,254,371</u>

The City's investments at December 31, 2001 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Repurchase Agreement	\$0	\$58,416	\$58,416
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	1,191,777
Total Investments	<u>\$0</u>	<u>\$58,416</u>	<u>\$1,250,193</u>

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>
2002:		
Per Combined Balance Sheet	\$1,223,141	\$0
Investments:		
Repurchase Agreement	(40,910)	40,910
STAR Ohio	(1,213,461)	1,213,461
Per GASB Statement No. 3	<u>(\$31,230)</u>	<u>\$1,254,371</u>

* Does not include cash on deposit with the Greene County Treasurer of \$6,055.

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments (Continued)

2001:	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$1,195,718	\$0
Investments:		
Repurchase Agreement	(58,416)	58,416
STAR Ohio	<u>(1,191,777)</u>	<u>1,191,777</u>
Per GASB Statement No. 3	<u><u>(\$54,475)</u></u>	<u><u>\$1,250,193</u></u>

* Includes Cash with Fiscal Agent less funds on deposit with the Greene County Treasurer of \$22,458.

NOTE 5 - 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 one calendar year are levied in the preceding calendar year on the assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2002. 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 CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 5 - PROPERTY TAX (Continued)

The full tax rate for all City operations for the years ended December 31, 2002 and 2001 was \$17.50 per \$1,000 of assessed value. The assessed value upon which the 2002 collection was based was \$135,986,363. This amount constitutes \$130,431,040 in real property assessed value, \$3,655,110 in public utility assessed value and \$1,900,213 in tangible personal property assessed value. The assessed value upon which the 2001 collection was based was \$119,379,231. This amount constitutes \$114,322,340 in real property assessed value, \$3,535,830 in public utility assessed value and \$1,521,061 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 2002 and 2001 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 at year end. 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 current year operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2002 and 2001 consisted of taxes, interest, accounts receivable, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$510,859
Special Revenue Fund:		
Fuel System Fund	169	0
Capital Projects Funds:		
Capital Improvement Fund	400,000	0
Building Improvement Fund	310,690	0
Total Capital Projects Funds	<u>710,690</u>	<u>0</u>
Enterprise Fund:		
Water Fund	0	200,000
Totals	<u>\$710,859</u>	<u>\$710,859</u>

These transfers are in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 7 - OPERATING TRANSFERS (Continued)

Following is a summary of operating transfers in and out for all funds for 2001:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$226,068
Special Revenue Fund:		
Fuel System Fund	168	0
Capital Projects Funds:		
Capital Improvement Fund	200,000	0
Building Improvement Fund	25,900	0
Total Capital Projects Funds	<u>225,900</u>	<u>0</u>
Totals	<u>\$226,068</u>	<u>\$226,068</u>

These transfers are in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 8 - INTERFUND BALANCES

Individual interfund balances at December 31, 2002 are as follows:

<u>Fund</u>	<u>Advances to other Funds</u>	<u>Advances from other Funds</u>
General Fund	\$101,445	\$0
Special Revenue Fund:		
Police Fund	0	100,000
Capital Projects Fund:		
Special Assessment Fund	0	1,445
Totals	<u>\$101,445</u>	<u>\$101,445</u>

Individual interfund balances at December 31, 2001 are as follows:

<u>Fund</u>	<u>Advances to other Funds</u>	<u>Advances from other Funds</u>
General Fund	\$153,822	\$0
Special Revenue Fund:		
Police Fund	0	150,000
Capital Projects Fund:		
Special Assessment Fund	0	3,822
Totals	<u>\$153,822</u>	<u>\$153,822</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Category	December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$369,451	\$0	\$0	\$369,451
Buildings and Improvements	2,980,411	9,000	(18,000)	2,971,411
Improvements other than Buildings	138,384	5,784	0	144,168
Equipment	589,688	78,344	(25,892)	642,140
Vehicles	1,306,525	98,058	(19,750)	1,384,833
Totals	\$5,384,459	\$191,186	(\$63,642)	\$5,512,003

Category	Restated December 31, 2000	Additions	Deletions	December 31, 2001
Land	\$362,551	\$6,900	\$0	\$369,451
Buildings and Improvements	2,798,982	181,429	0	2,980,411
Improvements other than Buildings	138,384	0	0	138,384
Equipment	560,621	67,360	(38,293)	589,688
Vehicles	1,397,943	10,650	(102,068)	1,306,525
Totals	\$5,258,481	\$266,339	(\$140,361)	\$5,384,459

B. Proprietary Fixed Assets

Summary by Category at December 31, 2002:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$383,096	\$0	\$383,096
Buildings and Improvements	2,498,477	(435,402)	2,063,075
Utility Structures in Services	11,729,905	(3,850,862)	7,879,043
Machinery and Equipment	450,560	(272,757)	177,803
Property, Plant and Equipment	\$15,062,038	(\$4,559,021)	\$10,503,017

Summary by Category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$383,096	\$0	\$383,096
Buildings and Improvements	2,489,477	(397,252)	2,092,225
Utility Structures in Services	8,810,020	(3,159,132)	5,650,888
Machinery and Equipment	413,804	(270,306)	143,498
Property, Plant and Equipment	\$12,096,397	(\$3,826,690)	\$8,269,707

NOTE 10 – 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. Ohio Public Employees Retirement System (the "Ohio PERS")

The following information was provided by the Ohio PERS 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 Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS 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 Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 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 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. 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 Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$119,177, \$112,704 and \$80,126, respectively, which were equal to the required contributions for each year.

The Ohio PERS 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 Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS 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 Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$43,977. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$35,766.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial reviews performed as of December 31, 2001. 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 2001 was 8.0%. An annual increase of 4.0% 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 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants at December 31, 2002 and 2001 were 402,041 and 411,076, respectively. The actuarial values of the Ohio PERS net assets available for OPEB at December 31, 2001 and 2000 were \$11.6 billion and \$11.7 billion, respectively. At December 31, 2001, the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. At December 31, 2000, the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 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, 2002, 2001 and 2000 were \$106,062, \$98,663 and \$58,847 for police and \$49,638, \$43,649 and \$39,873 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. 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 2002 covered payroll that was used to fund postemployment health care benefits was \$42,153 representing 7.75% of covered payroll for police and \$16,029 representing 7.75% of covered payroll for fire. The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$37,947 representing 7.5% of covered payroll for police and \$13,640 representing 7.5% 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, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 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, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 11 – 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 obligations for sick leave accrual for the City as a whole as of December 31, 2002 and 2001 were \$97,746 and \$71,538, respectively.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$112,505 at December 31, 2002 and \$102,340 at December 31, 2001.

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 11 – COMPENSATED ABSENCES (Continued)

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. During 2002, the amount increased \$25,524 from a beginning year balance of \$143,368 to a year end balance of \$168,892. During 2001, the amount increased \$19,195 from a beginning year balance of \$124,173 to a year end balance of \$143,368.

NOTE 12 - 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. A summary of note transactions for the fiscal years ended 2002 and 2001 follows:

	Balance January 1, 2002	Issued (Retired)	Balance December 31, 2002
Capital Projects Funds Notes Payable:			
2.70% Building Improvement Bond Anticipation Note	\$400,000	(\$400,000)	\$0
Total Notes Payable	<u>\$400,000</u>	<u>(\$400,000)</u>	<u>\$0</u>
	Balance January 1, 2001	Issued (Retired)	Balance December 31, 2001
Capital Projects Funds Notes Payable:			
4.80% Building Improvement Bond Anticipation Note	\$500,000	(\$500,000)	\$0
2.70% Building Improvement Bond Anticipation Note	\$0	\$400,000	\$400,000
Total Notes Payable	<u>\$500,000</u>	<u>(\$100,000)</u>	<u>\$400,000</u>

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2002 were as follows:

	Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Enterprise Funds:			
Revenue Bond:			
1982 5.00% Waterworks System	\$1,129,000	(\$34,000)	\$1,095,000
Ohio Public Works Commission Loan:			
1995 0.00% Elevated Water Storage Tank	362,500	(25,000)	337,500
Total Enterprise Long-Term Debt	<u>\$1,491,500</u>	<u>(\$59,000)</u>	<u>\$1,432,500</u>
General Long-Term Debt and Other Long-Term Obligations:			
Compensated Absences	143,368	25,524	168,892
Intergovernmental Payable	48,335	6,748	55,083
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$191,703</u>	<u>\$32,272</u>	<u>\$223,975</u>

Long-term debt and other long-term obligations of the City at December 31, 2001 were as follows:

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
Enterprise Funds:			
Revenue Bond:			
1982 5.00% Waterworks System	\$1,162,000	(\$33,000)	\$1,129,000
Ohio Public Works Commission Loan:			
1995 0.00% Elevated Water Storage Tank	387,500	(25,000)	362,500
Total Enterprise Long-Term Debt	<u>\$1,549,500</u>	<u>(\$58,000)</u>	<u>\$1,491,500</u>
General Long-Term Debt:			
General Obligation Bond:			
1980 10.00% Municipal Building	\$3,000	(\$3,000)	\$0
Total General Long-Term Debt	<u>3,000</u>	<u>(3,000)</u>	<u>0</u>
Other Long-Term Obligations:			
Compensated Absences	124,173	19,195	143,368
Intergovernmental Payable	40,762	7,573	48,335
Total Other Long-Term Obligations	<u>164,935</u>	<u>26,768</u>	<u>191,703</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$167,935</u>	<u>\$23,768</u>	<u>\$191,703</u>

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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, 2002, follows:

Years	Revenue Bond		OPWC Loan	
	Principal	Interest	Principal	Interest
2003	\$36,000	\$54,750	\$25,000	\$0
2004	38,000	52,950	25,000	0
2005	40,000	51,050	25,000	0
2006	41,000	49,050	25,000	0
2007	44,000	47,000	25,000	0
2008-2012	253,000	199,950	125,000	0
2013-2017	322,000	130,200	87,500	0
2018-2021	321,000	41,200	0	0
Totals	<u>\$1,095,000</u>	<u>\$626,150</u>	<u>\$337,500</u>	<u>\$0</u>

NOTE 14 - CONTRIBUTED CAPITAL

During 2001 and 2002, there were no changes to contributed capital reported by the City:

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

NOTE 15 - 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:

2002	<u>Water</u>	<u>Waste Collection</u>	<u>Total</u>
Operating Revenues	\$1,329,293	\$322,304	\$1,651,597
Depreciation	758,289	0	758,289
Operating Income (Loss)	(396,145)	9,499	(386,646)
Operating Transfers Out	(200,000)	0	(200,000)
Net Income	2,267,693	9,499	2,277,192
Current Capital Contributions	2,919,885	0	2,919,885
Fixed Assets:			
Additions	72,662	0	72,662
Deletions	(26,906)	0	(26,906)
Total Assets	11,213,246	68,102	11,281,348
Net Working Capital	603,780	45,095	648,875
Bonds and Loans Payable	1,432,500	0	1,432,500
Total Equity	9,632,938	45,095	9,678,033

THE CITY OF BELLBROOK, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002 and 2001

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

2001	<u>Water</u>	<u>Waste Collection</u>	<u>Total</u>
Operating Revenues	\$1,184,093	\$317,143	\$1,501,236
Depreciation	104,899	0	104,899
Operating Income	189,653	19,094	208,747
Net Income	474,120	19,094	493,214
Fixed Assets:			
Additions	84,179	0	84,179
Deletions	(25,829)	0	(25,829)
Total Assets	8,981,446	57,859	9,039,305
Net Working Capital	617,548	35,596	653,144
Bonds and Loans Payable	1,491,500	0	1,491,500
Total Equity	7,365,245	35,596	7,400,841

NOTE 16 - 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, 2001 to December 31, 2002 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 17 - 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	\$6,830,637	\$1,000
General Liability	\$5/7,000,000	\$0
Police Liability	\$5/7,000,000	\$2,500
Wrongful Acts	\$5/7,000,000	\$2,500
Crime	\$2,500	\$0
Inland Marine	\$606,968	\$1,000
Fire Vehicle	\$1,093,630	\$250/\$250
Automobile	\$5,000,000	\$250/\$250
Electronic Data and Equipment	\$270,785	\$1,000
Bond	\$25,000	\$0

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

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

NOTE 18 - CONSTRUCTION COMMITMENTS

As of December 31, 2002, the City had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Whites Drive Stormwater Project	\$13,401	May 31, 2003
State Route 725 Widening Project	\$371,182	October 31, 2003

THE CITY OF BELLBROOK, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance December 31, 2001	Additions	Deductions	Balance December 31, 2002
<u>Performance Bond</u>				
Assets:				
Cash and Cash Equivalents	\$62,326	\$53,043	(\$44,005)	\$71,364
Total Assets	<u>\$62,326</u>	<u>\$53,043</u>	<u>(\$44,005)</u>	<u>\$71,364</u>
Liabilities:				
Due to Others	\$62,326	\$53,043	(\$44,005)	\$71,364
Total Liabilities	<u>\$62,326</u>	<u>\$53,043</u>	<u>(\$44,005)</u>	<u>\$71,364</u>

THE CITY OF BELLBROOK, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	Balance December 31, 2000	Additions	Deductions	Balance December 31, 2001
<u>Performance Bond</u>				
Assets:				
Cash and Cash Equivalents	\$62,630	\$39,336	(\$39,640)	\$62,326
Total Assets	<u>\$62,630</u>	<u>\$39,336</u>	<u>(\$39,640)</u>	<u>\$62,326</u>
Liabilities:				
Due to Others	\$62,630	\$39,336	(\$39,640)	\$62,326
Total Liabilities	<u>\$62,630</u>	<u>\$39,336</u>	<u>(\$39,640)</u>	<u>\$62,326</u>

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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

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

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

We have audited the general purpose financial statements of the City of Bellbrook, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 25, 2003, which was qualified due to a lack of sufficient evidence to support the amounts prior to January 1, 1998 reported as fixed assets in the General Fixed Asset Account Group and Proprietary Fund Type and depreciation expense in the Proprietary Fund Type. The City implemented Governmental Accounting Standards Board GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33 for the year ended December 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Bellbrook’s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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 2002-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, we consider item 2002-COB-001 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 April 25, 2003.

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.
April 25, 2003

**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number	2002-COB-001
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The City of Bellbrook, in preparation of its general purpose financial statements, determined the value to be reported for fixed assets, by having each department head prepare a list of fixed assets and estimate the cost of the asset when purchased.

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

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

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

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

**CITY OF BELLBROOK
GREENE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-COB-001	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.	No	The City is aware of this weakness, but feels this process is not cost effective at present.



**Auditor of State
Betty Montgomery**

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
AUGUST 5, 2003**