
City of Bellbrook, Ohio

Basic Financial Statements

December 31, 2009

with Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Bellbrook, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 29, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio as of December 31, 2009 and the respective change in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Clark, Schaefer, Hackett ; Co.

Springfield, Ohio
June 17, 2011

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2009 (UNAUDITED)

The management's discussion and analysis of the City of Bellbrook's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net assets of the City increased \$677,312 or 3.53%. Net assets of governmental activities increased \$604,405 or 7.73% over 2008 and net assets of business-type activities increased \$72,907 or 0.64% over 2008.
- Unrestricted net assets of the City increased \$68,973 or 2.93%. Unrestricted net assets of governmental activities increased \$163,418 or 17.64% and unrestricted net assets of business-type activities decreased \$94,445 or -6.62%.
- Total revenues decreased \$198,615 or -3.13%. Revenues of governmental activities increased \$299,291 or 7.88% and revenues of business-type activities decreased \$497,906 or -19.49%.
- Total expenses increased \$136,860 or 2.56%. Expenses of governmental activities increased \$53,139 or 1.55% and expenses of business-type activities increased \$83,721 or 4.41%.
- As of December 31, 2009 the City's governmental funds report combined ending fund balances of \$3.06 million. Over 85% or \$2.6 million of this fund balance is available for spending at the City's discretion (unreserved, undesignated fund balance).

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2009 (UNAUDITED)

activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2009 (UNAUDITED)

governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street fund, police fund, fire fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and waste collection functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-40 of this report.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2009
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2009 compared to 2008.

Net Assets

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets:</u>						
Current and other assets	\$6,235,618	\$5,523,161	\$1,500,036	\$1,568,935	\$7,735,654	\$7,092,096
Capital assets	<u>5,071,785</u>	<u>4,667,913</u>	<u>11,072,088</u>	<u>10,977,736</u>	<u>16,143,873</u>	<u>15,645,649</u>
Total assets	<u>11,307,403</u>	<u>10,191,074</u>	<u>12,572,124</u>	<u>12,546,671</u>	<u>23,879,527</u>	<u>22,737,745</u>
<u>Liabilities:</u>						
Long-term liabilities	196,749	196,645	1,039,710	1,079,412	1,236,459	1,276,057
Other liabilities	<u>2,683,396</u>	<u>2,171,576</u>	<u>93,105</u>	<u>100,857</u>	<u>2,776,501</u>	<u>2,272,433</u>
Total liabilities	<u>2,880,145</u>	<u>2,368,221</u>	<u>1,132,815</u>	<u>1,180,269</u>	<u>4,012,960</u>	<u>3,548,490</u>
<u>Net Assets:</u>						
Invested in capital assets, net of debt	5,071,785	4,667,913	10,107,588	9,940,236	15,179,373	14,608,149
Restricted	2,265,612	2,228,497	0	0	2,265,612	2,228,497
Unrestricted	<u>1,089,861</u>	<u>926,443</u>	<u>1,331,721</u>	<u>1,426,166</u>	<u>2,421,582</u>	<u>2,352,609</u>
Total net assets	<u>\$8,427,258</u>	<u>\$7,822,853</u>	<u>\$11,439,309</u>	<u>\$11,366,402</u>	<u>\$19,866,567</u>	<u>\$19,189,255</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$19,866,567. At year-end, net assets were \$8,427,258 and \$11,439,309 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 67.61% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, utility structures in service, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$5,071,785 and \$10,107,588 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2009
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A portion of the City's net assets, \$2,265,612, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,089,861 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net assets for fiscal year 2009 compared to 2008.

Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services	\$159,123	\$205,944	\$1,884,745	\$2,002,246	\$2,043,868	\$2,208,190
Operating grants and contributions	418,281	448,014	0	0	418,281	448,014
Capital grants and contributions	291,106	0	172,400	63,440	463,506	63,440
General revenues:						
Property taxes	2,237,821	2,226,657	0	0	2,237,821	2,226,657
Estate taxes	195,997	86,518	0	0	195,997	86,518
Grants and other contributions not restricted to specific programs	746,738	606,255	0	475,194	746,738	1,081,449
Investment earnings	18,748	97,453	0	0	18,748	97,453
Miscellaneous	<u>27,962</u>	<u>125,644</u>	<u>0</u>	<u>14,171</u>	<u>27,962</u>	<u>139,815</u>
Total revenues	<u>4,095,776</u>	<u>3,796,485</u>	<u>2,057,145</u>	<u>2,555,051</u>	<u>6,152,921</u>	<u>6,351,536</u>
Expenses						
General government	481,689	467,050	0	0	481,689	467,050
Public safety	2,541,750	2,416,513	0	0	2,541,750	2,416,513
Community environment	40,878	44,865	0	0	40,878	44,865
Recreation	11,369	14,978	0	0	11,369	14,978
Transportation	415,685	494,826	0	0	415,685	494,826
Waste collection	0	0	460,261	471,327	460,261	471,327
Water	<u>0</u>	<u>0</u>	<u>1,523,977</u>	<u>1,429,190</u>	<u>1,523,977</u>	<u>1,429,190</u>
Total expenses	<u>3,491,371</u>	<u>3,438,232</u>	<u>1,984,238</u>	<u>1,900,517</u>	<u>5,475,609</u>	<u>5,338,749</u>
Change in net assets	<u>\$604,405</u>	<u>\$358,253</u>	<u>\$72,907</u>	<u>\$654,534</u>	<u>\$677,312</u>	<u>\$1,012,787</u>

City of Bellbrook, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2009
(UNAUDITED)

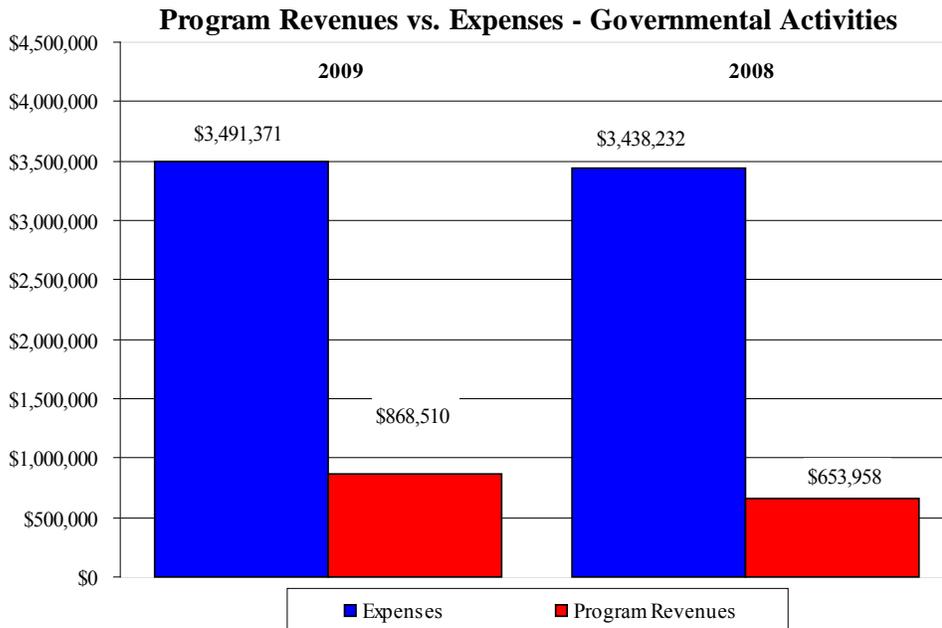
Governmental Activities

Governmental activities net assets increased \$604,405 in 2009. Public safety which primarily supports the operations of the police and fire department accounted for \$2,541,750 or 72.80% of the total expenses of the City. Public safety expenses were partially funded by \$118,487 in direct charges to users of the services. General government expenses totaled \$481,689. General government expenses were partially funded by \$37,601 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$418,281 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$412,251 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,227,266, and amounted to 78.79% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,237,821. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$746,738.

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

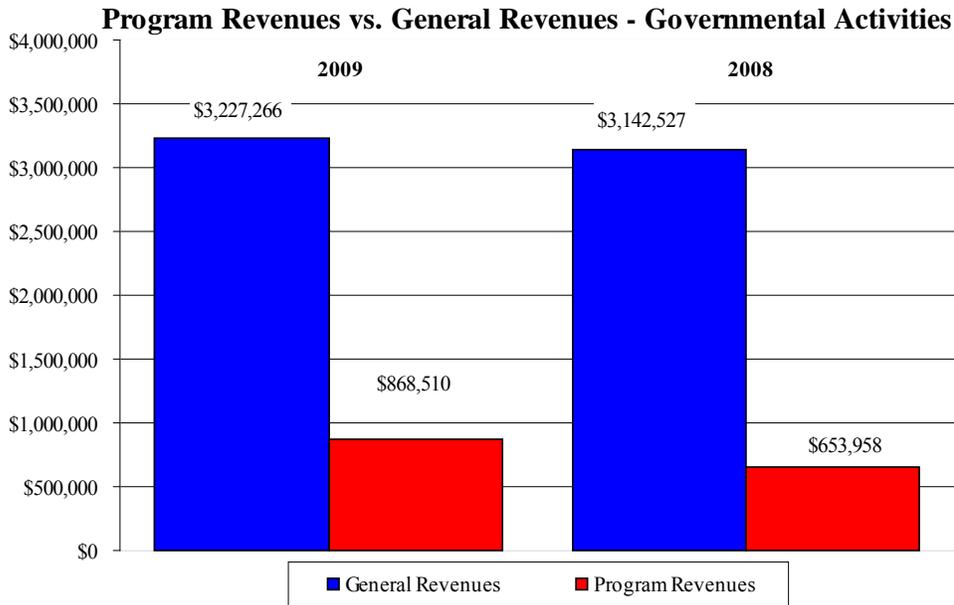


The dependence upon general revenues for governmental activities is apparent, with 75.12% of expenses supported through taxes and other general revenues. The chart below illustrates the

City of Bellbrook, Ohio

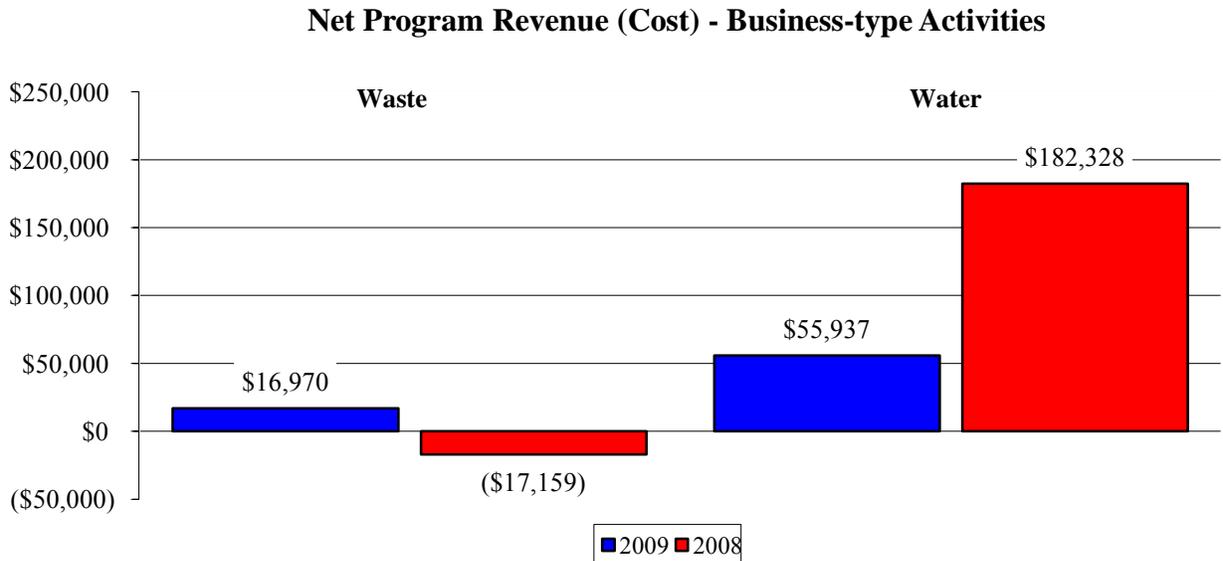
**Management's Discussion and Analysis
For the Year Ended December 31, 2009
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City's program revenues versus general revenues for 2009 and 2008.



Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,057,145 and expenses of \$1,984,238 for 2009. The graph below shows the net program revenue (cost) for each business-type activity:



City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2009
(UNAUDITED)**

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 16-17) reported a combined fund balance of \$3,064,446 which is \$182,788 above last year's total of \$2,881,658. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and non-major governmental funds.

	Fund Balance	Fund Balance	Increase
	<u>12/31/09</u>	<u>12/31/08</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 986,719	\$ 836,347	\$150,372
Street	168,245	192,993	(24,748)
Police	125,250	56,837	68,413
Fire	48,846	(15,412)	64,258
Capital improvement	1,620,885	1,759,610	(138,725)
Other non-major governmental funds	<u>114,501</u>	<u>51,283</u>	<u>63,218</u>
Total	<u>\$3,064,446</u>	<u>\$2,881,658</u>	<u>\$182,788</u>

The City's **general fund** balance increased \$150,372. The table that follows assists in illustrating the revenues of the general fund.

	2009	2008	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
General Fund Revenues:			
Local taxes	\$ 587,430	\$ 552,500	6.32%
Intergovernmental	496,751	448,047	10.87%
Charges for services	36,823	25,092	46.75%
Fines, licenses & permits	129,580	129,529	0.04%
Investment income	18,689	97,453	(80.82)%
Miscellaneous receipts	<u>5,098</u>	<u>21,034</u>	(75.76)%
Total	<u>\$1,274,371</u>	<u>\$1,273,655</u>	0.06%

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2009 (UNAUDITED)

During 2009 the City increased general fund revenues by 0.06%. The 80.82% decrease in investment income was primarily due to the continued declining interest rates in 2009. The 10.87% increase in intergovernmental was due to additional revenue from the estate taxes in 2009.

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

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General Fund Expenditures:			
General government	\$426,941	\$392,410	8.80%
Public safety	14,474	142,537	(89.85)%
Community environment	46,215	40,938	12.89%
Recreation	11,369	14,978	(24.10)%
Transportation	0	449	(100.00)%
Capital outlay	0	16,284	(100.00)%
Other financing uses:			
Transfers out	<u>625,000</u>	<u>530,000</u>	17.92%
Total	<u>\$1,123,999</u>	<u>\$1,137,596</u>	(1.20)%

During 2009 the City decreased total expenditures and other financing uses by 1.20%. The largest expenditure category, general government, increased 8.80% due primarily to the re-allocation of certain expenses from the water fund and the costs related to a merger study. The second largest expenditure, public safety, decreased 89.85%, which is primarily attributed to the shifting of more police and fire expenses to the police fund and the fire fund, respectively. Transfers out increased due to additional transfers to the police fund and the fire fund in 2009.

The **street fund** had revenues of \$260,732 in 2009. The expenditures of the street fund, totaled \$285,480 in 2009. The net decrease in fund balance for the street fund was \$(24,748) or -12.82%.

The **police fund** had revenues and other financing sources of \$1,503,845 in 2009. The expenditures of the police fund totaled \$1,435,432 in 2009. The net increase in fund balance for the police fund was \$68,413 or 120.37%. The increase can be attributed to a transfer of \$100,000 from the general fund in 2009.

The **fire fund** had revenues and other financing sources of \$905,002 in 2009. The expenditures of the fire fund totaled \$840,744 in 2009. The net increase in fund balance for the fire fund was \$64,258 or 416.93%. The increase can be attributed to a transfer of \$275,000 from the general fund in 2009.

The **capital improvement fund** had revenues other financing sources of \$622,309 in 2009. The expenditures of the capital improvement fund totaled \$761,034 in 2009. The net decrease in

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2009
(UNAUDITED)**

fund balance for the capital improvement fund was \$(138,725) or -7.88%. The decrease is due to a lower transfer amount from the general fund and the expenditure of previously accumulated reserves.

General Fund Budgetary Highlights

General fund appropriations were increased only nominally in 2009. Actual expenditures were \$79,790 less than the final appropriations. In addition, actual revenues exceeded budgetary estimates \$125,055 due primarily to increased estate tax receipts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the City had \$16,143,873 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$5,071,785 was reported in governmental activities and \$11,072,088 was reported in business-type activities. Further details regarding the City's capital assets can be found in Note 5 to the Financial Statements.

Significant capital activity for the year included:

- \$276,144 in additional street improvements.
- \$469,395 addition for the completion of water wells #7 & 8.
- \$132,700 re-painting of the City's 100,000 gallon water stand pipe.

Debt Administration

The City had the following long-term debt outstanding at December 31, 2009 and 2008:

	Business-type Activities	
	<u>2009</u>	<u>2008</u>
Revenue bonds	\$802,000	\$850,000
OPWC loans	<u>162,500</u>	<u>187,500</u>
Total	<u>\$964,500</u>	<u>\$1,037,500</u>

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

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2009 (UNAUDITED)

Economic Conditions and Outlook

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

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

In 2009, there were two active housing developments underway. New single-family house sales have slowed considerably. The current economic conditions and the mortgage market problems have had a negative affect on the housing market. The only bright spot in the housing market is that the base realignment and closure (BRAC) activity at Wright Patterson Air Force Base will generate more jobs and bring new employees to the area. The Bellbrook area housing is very convenient to Base employees.

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

Contacting the City's Financial Management

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

**City of Bellbrook
Statement of Net Assets
December 31, 2009**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 3,008,330	\$ 1,072,157	\$ 4,080,487
Cash and cash equivalents with fiscal agents	3,203	-	3,203
Receivables (net):			
Taxes	2,584,759	-	2,584,759
Accounts	64,981	345,576	410,557
Intergovernmental	482,669	-	482,669
Special assessments	1,000	6,106	7,106
Inventory	67,440	50,538	117,978
Prepaid items	23,236	25,659	48,895
Capital assets:			
Capital assets not subject to depreciation:			
Land and land improvements	369,451	590,214	959,665
Construction in progress	377,958	181,027	558,985
Capital assets net of accumulated depreciation	<u>4,324,376</u>	<u>10,300,847</u>	<u>14,625,223</u>
 Total assets	 <u>\$ 11,307,403</u>	 <u>\$ 12,572,124</u>	 <u>\$ 23,879,527</u>
LIABILITIES			
Accounts payable	\$ 23,570	\$ 6,382	\$ 29,952
Accrued liabilities	26,432	8,893	35,325
Due to other governments	136,894	22,860	159,754
Deferred revenue	2,496,500	28,237	2,524,737
Accrued interest payable	-	26,733	26,733
Noncurrent liabilities:			
Due within one year	80,590	110,003	190,593
Due in more than one year	<u>116,159</u>	<u>929,707</u>	<u>1,045,866</u>
 Total liabilities	 <u>2,880,145</u>	 <u>1,132,815</u>	 <u>4,012,960</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,071,785	10,107,588	15,179,373
Restricted for:			
Capital improvement	1,620,885	-	1,620,885
Public safety	257,326	-	257,326
Streets & highways	384,215	-	384,215
Other purposes	3,186	-	3,186
Unrestricted	<u>1,089,861</u>	<u>1,331,721</u>	<u>2,421,582</u>
 Total net assets	 <u>8,427,258</u>	 <u>11,439,309</u>	 <u>19,866,567</u>
 Total liabilities and net assets	 <u>\$ 11,307,403</u>	 <u>\$ 12,572,124</u>	 <u>\$ 23,879,527</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Activities
For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 481,689	\$ 37,601	\$ -	\$ -	\$ (444,088)	\$ (444,088)
Public safety	2,541,750	118,487	6,030	-	(2,417,233)	(2,417,233)
Community environment	40,878	3,035	-	-	(37,843)	(37,843)
Recreation	11,369	-	-	-	(11,369)	(11,369)
Transportation	415,685	-	412,251	291,106	287,672	287,672
Total governmental activities	<u>3,491,371</u>	<u>159,123</u>	<u>418,281</u>	<u>291,106</u>	<u>(2,622,861)</u>	<u>(2,622,861)</u>
Business-type activities:						
Waste collection	460,261	477,231	-	-	\$ 16,970	16,970
Water	1,523,977	1,407,514	-	172,400	55,937	55,937
Total business-type activities	<u>1,984,238</u>	<u>1,884,745</u>	<u>-</u>	<u>172,400</u>	<u>72,907</u>	<u>72,907</u>
Total	<u>\$ 5,475,609</u>	<u>\$ 2,043,868</u>	<u>\$ 418,281</u>	<u>\$ 463,506</u>	<u>(2,622,861)</u>	<u>72,907</u>
General revenues:						
Taxes:						
Property taxes					2,237,821	-
Estate taxes					195,997	-
Grants and contributions not restricted to specific programs					746,738	-
Investment earnings					18,748	-
Miscellaneous					27,962	-
Total general revenues and transfers					<u>3,227,266</u>	<u>-</u>
Change in net assets					604,405	72,907
Net assets - beginning					<u>7,822,853</u>	<u>11,366,402</u>
Net assets - ending					<u>\$ 8,427,258</u>	<u>\$ 11,439,309</u>

See Notes to the Basic Financial Statements.

**City of Bellbrook
Balance Sheet
Governmental Funds
December 31, 2009**

	General	Street	Police	Fire	Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
ASSETS							
Pooled cash and cash equivalents	\$ 932,054	\$ 91,752	\$ 192,873	\$ 85,936	\$ 1,626,482	\$ 79,233	\$ 3,008,330
Receivables (net):							
Taxes	577,896	-	1,224,318	741,257	-	41,288	2,584,759
Accounts	28,974	42	77	35,888	-	-	64,981
Intergovernmental	144,594	143,823	91,505	60,250	-	42,497	482,669
Special assessments	1,000	-	-	-	-	-	1,000
Inventory	-	33,995	9,191	1,282	-	22,972	67,440
Prepaid items	4,894	2,215	11,571	4,436	-	120	23,236
Restricted assets:							
Cash and cash equivalents with fiscal agent	-	-	-	-	3,203	-	3,203
Total assets	\$ 1,689,412	\$ 271,827	\$ 1,529,535	\$ 929,049	\$ 1,629,685	\$ 186,110	\$ 6,235,618
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 12,648	\$ -	\$ 730	\$ 1,337	\$ 8,800	\$ 55	\$ 23,570
Accrued liabilities	2,957	2,523	13,577	7,375	-	-	26,432
Due to other governments	7,357	5,623	76,235	47,679	-	-	136,894
Deferred revenue	679,731	95,436	1,313,743	823,812	-	71,554	2,984,276
Total liabilities	702,693	103,582	1,404,285	880,203	8,800	71,609	3,171,172
Fund Balances:							
Reserved for:							
Restricted assets	-	-	-	-	3,203	-	3,203
Inventory	-	33,995	9,191	1,282	-	22,972	67,440
Prepaid items	4,894	2,215	11,571	4,436	-	120	23,236
Encumbrances	12,176	794	-	268	327,300	-	340,538
Unreserved, reported in:							
General fund	969,649	-	-	-	-	-	969,649
Special revenue funds	-	131,241	104,488	42,860	-	91,409	369,998
Capital projects funds	-	-	-	-	1,290,382	-	1,290,382
Total fund balances	986,719	168,245	125,250	48,846	1,620,885	114,501	3,064,446
Total liabilities and fund balances	\$ 1,689,412	\$ 271,827	\$ 1,529,535	\$ 929,049	\$ 1,629,685	\$ 186,110	\$ 6,235,618

See Notes to the Basic Financial Statements.

City of Bellbrook
Reconciliation of Total
Governmental Fund Balances to Net
Assets of Governmental Activities
December 31, 2009

Total governmental fund balances	\$ 3,064,446
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,071,785
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property taxes receivable	88,259
Accounts receivable	26,805
Intergovernmental receivable	371,712
Special assessment receivable	1,000

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds:

Compensated absences	(196,749)
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Net assets of governmental activities	<u>\$ 8,427,258</u>
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See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Street	Police	Fire	Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
REVENUES:							
Local taxes	\$ 587,430	\$ -	\$ 1,183,056	\$ 431,289	\$ -	45,431	\$ 2,247,206
Intergovernmental revenues	496,751	248,535	213,200	91,125	372,309	90,414	1,512,334
Charges for services	36,823	-	-	105,354	-	-	142,177
Fines, licenses and permits	129,580	-	533	-	-	-	130,113
Investment income	18,689	-	-	-	-	-	18,689
Miscellaneous receipts	5,098	12,197	7,056	2,234	-	823	27,408
Total revenues	<u>1,274,371</u>	<u>260,732</u>	<u>1,403,845</u>	<u>630,002</u>	<u>372,309</u>	<u>136,668</u>	<u>4,077,927</u>
EXPENDITURES:							
Current:							
General government	426,941	-	-	-	-	577	427,518
Public safety	14,474	-	1,435,432	840,744	-	55,525	2,346,175
Community environment	46,215	-	-	-	-	-	46,215
Recreation	11,369	-	-	-	-	-	11,369
Transportation	-	285,480	-	-	-	17,348	302,828
Capital outlay	-	-	-	-	761,034	-	761,034
Debt service:							
Total expenditures	<u>498,999</u>	<u>285,480</u>	<u>1,435,432</u>	<u>840,744</u>	<u>761,034</u>	<u>73,450</u>	<u>3,895,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>775,372</u>	<u>(24,748)</u>	<u>(31,587)</u>	<u>(210,742)</u>	<u>(388,725)</u>	<u>63,218</u>	<u>182,788</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	100,000	275,000	250,000	-	625,000
Transfers out	(625,000)	-	-	-	-	-	(625,000)
Total other financing sources (uses)	<u>(625,000)</u>	<u>-</u>	<u>100,000</u>	<u>275,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	150,372	(24,748)	68,413	64,258	(138,725)	63,218	182,788
Fund balances, beginning of year	<u>836,347</u>	<u>192,993</u>	<u>56,837</u>	<u>(15,412)</u>	<u>1,759,610</u>	<u>51,283</u>	<u>2,881,658</u>
Fund balances, end of year	<u>\$ 986,719</u>	<u>\$ 168,245</u>	<u>\$ 125,250</u>	<u>\$ 48,846</u>	<u>\$ 1,620,885</u>	<u>\$ 114,501</u>	<u>\$ 3,064,446</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009

Net change in fund balances - total governmental funds \$ 182,788

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	686,001
Current year depreciation	(282,129)

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

Property taxes	(9,384)
Charges for services	(3,944)
Intergovernmental revenue	31,177

Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore are
not reported as expenditures in governmental funds.

(104)

Change in net assets of governmental activities	\$ <u>604,405</u>
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See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Net Assets
Proprietary Funds
December 31, 2009**

	Business-type Activities		
	Waste Collection	Water	Totals
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 123,106	\$ 949,051	\$ 1,072,157
Receivables (net):			
Accounts	9,407	336,169	345,576
Special assessments	-	6,106	6,106
Inventory	-	50,538	50,538
Prepaid items	117	25,542	25,659
Total current assets	<u>132,630</u>	<u>1,367,406</u>	<u>1,500,036</u>
Noncurrent assets:			
Capital assets:			
Capital assets not subject to depreciation:			
Land and land improvements	-	590,214	590,214
Construction in progress	-	181,027	181,027
Capital assets (net of accumulated depreciation)	<u>73,739</u>	<u>10,227,108</u>	<u>10,300,847</u>
Total noncurrent assets	<u>73,739</u>	<u>10,998,349</u>	<u>11,072,088</u>
Total assets	<u>\$ 206,369</u>	<u>\$ 12,365,755</u>	<u>\$ 12,572,124</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 6,382	\$ 6,382
Accrued liabilities	299	8,594	8,893
Compensated absences	849	34,154	35,003
Due to other governments	278	22,582	22,860
Current portion of OPWC loans	-	25,000	25,000
Current portion of revenue bonds	-	50,000	50,000
Accrued interest payable	-	26,733	26,733
Deferred revenue	28,237	-	28,237
Total current liabilities	<u>29,663</u>	<u>173,445</u>	<u>203,108</u>
Noncurrent liabilities:			
Revenue bonds	-	752,000	752,000
OPWC loans	-	137,500	137,500
Compensated absences	2,830	37,377	40,207
Total noncurrent liabilities	<u>2,830</u>	<u>926,877</u>	<u>929,707</u>
Total liabilities	<u>32,493</u>	<u>1,100,322</u>	<u>1,132,815</u>
NET ASSETS			
Invested in capital assets, net of related debt	73,739	10,033,849	10,107,588
Unrestricted	<u>100,137</u>	<u>1,231,584</u>	<u>1,331,721</u>
Total net assets	<u>173,876</u>	<u>11,265,433</u>	<u>11,439,309</u>
Total liabilities and net assets	<u>\$ 206,369</u>	<u>\$ 12,365,755</u>	<u>\$ 12,572,124</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Revenue, Expenses and Changes
In Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities		
	Waste Collection	Water	Totals
OPERATING REVENUES:			
Charges for services	\$ 475,204	\$ 1,395,590	\$ 1,870,794
Other revenue	<u>2,027</u>	<u>11,924</u>	<u>13,951</u>
Total operating revenues	<u>477,231</u>	<u>1,407,514</u>	<u>1,884,745</u>
OPERATING EXPENSES:			
Personal services	31,161	866,979	898,140
Purchased services	410,725	266,814	677,539
Supplies and materials	-	79,960	79,960
Other expenses	7,128	3,397	10,525
Depreciation	<u>11,247</u>	<u>265,927</u>	<u>277,174</u>
Total operating expenses	<u>460,261</u>	<u>1,483,077</u>	<u>1,943,338</u>
Operating income (loss)	<u>16,970</u>	<u>(75,563)</u>	<u>(58,593)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues	-	61,340	61,340
Interest expense	<u>-</u>	<u>(40,900)</u>	<u>(40,900)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>20,440</u>	<u>20,440</u>
Income (loss) before contributions	16,970	(55,123)	(38,153)
Capital contributions	<u>-</u>	<u>111,060</u>	<u>111,060</u>
Change in net assets	16,970	55,937	72,907
Total net assets - beginning of year	<u>156,906</u>	<u>11,209,496</u>	<u>11,366,402</u>
Total net assets - end of year	<u>\$ 173,876</u>	<u>\$ 11,265,433</u>	<u>\$ 11,439,309</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities		
	Waste Collection	Water	Total
Cash flows from operating activities:			
Cash received from customers	\$ 505,468	\$ 1,488,896	\$ 1,994,364
Cash paid to employees	(27,136)	(848,869)	(876,005)
Cash paid to suppliers of goods and services	(427,186)	(328,805)	(755,991)
Other receipts	<u>2,027</u>	<u>11,924</u>	<u>13,951</u>
Net cash provided (used) by operating activities	<u>53,173</u>	<u>323,146</u>	<u>376,319</u>
Cash flows from non-capital financing activities:			
Cash received from grants	<u>34,998</u>	<u>128,746</u>	<u>163,744</u>
Net cash provided (used) by non-capital financing activities	<u>34,998</u>	<u>128,746</u>	<u>163,744</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(267,828)	(267,828)
Principal retirement on revenue bonds	-	(48,000)	(48,000)
Principal retirement on OPWC loans	-	(25,000)	(25,000)
Interest and fiscal charges	<u>-</u>	<u>(42,500)</u>	<u>(42,500)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(383,328)</u>	<u>(383,328)</u>
Increase (decrease) in cash and cash equivalents	88,171	68,564	156,735
Cash and cash equivalents at beginning of year	<u>34,935</u>	<u>880,487</u>	<u>915,422</u>
Cash and cash equivalents at end of year	<u>\$ 123,106</u>	<u>\$ 949,051</u>	<u>\$ 1,072,157</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 16,970</u>	<u>\$ (75,563)</u>	<u>\$ (58,593)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,247	265,927	277,174
Change in operating assets and liabilities:			
(Increase) decrease in receivables	2,027	93,306	95,333
(Increase) decrease in prepaid items	(117)	1,716	1,599
(Increase) decrease in inventories	-	23,131	23,131
Increase (decrease) in liabilities	<u>23,046</u>	<u>14,629</u>	<u>37,675</u>
Total adjustments	<u>36,203</u>	<u>398,709</u>	<u>434,912</u>
Net cash provided (used) by operating activities	<u>\$ 53,173</u>	<u>\$ 323,146</u>	<u>\$ 376,319</u>
Non-cash investing, capital and financing activities:			
Capital assets purchased on account	\$ -	\$ 7,362	\$ 7,362
Capital contributions from developers	\$ -	\$ 111,060	\$ 111,060

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2009**

	<u>Agency Fund</u>
ASSETS	
Pooled cash and cash equivalents	<u>\$ 24,868</u>
 LIABILITIES	
Undistributed monies	<u>\$ 24,868</u>

See Notes to the Basic Financial Statements.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bellbrook, Ohio (the “City”) is a home rule municipal corporation under the laws of the State of Ohio and operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1971 and has subsequently been amended.

The City provides various services including police and fire protection, street maintenance, water utility service, planning, zoning and other general government services. Legislative power is vested in a seven-member council with separately elected Mayor serving a two-year term and six council members elected to four-year terms. The Council appoints the City Manager and Clerk of Council. The City Manager is Chief Executive Officer and the head of the administrative agencies of the City who appoints all department heads and employees.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the primary government, except for its fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street fund – This fund accounts for the portion of gasoline and motor vehicle license fees restricted for the maintenance of streets.

Police fund – This fund accounts for money received and expended for the Police department.

Fire fund – This fund accounts for money received and expended for the Fire department.

Capital improvement fund – This fund is used to account for the financial resources to be used for the acquisition or construction of various capital improvement projects.

The City reports the following major proprietary funds:

Water fund – This fund accounts for the operations of the water system to residential and commercial users in the service area.

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

Additionally, the City reports the following fund type:

Agency fund – This fund accounts for assets held by the City for performance bonds from property owners.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using a current financial resources measurement focus and are reported on a modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which, for the City's purposes, is considered to be 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues considered susceptible to accrual are property taxes, franchise fees, state-levied locally shared taxes, fines and forfeitures and fees. These revenues have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports deferred revenue on its governmental funds' balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

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

Interest earnings are allocated to the General Fund except for funds derived from contract, trust agreement, grant terms or City policy which require crediting otherwise.

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

E. Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2009, the City's capitalization threshold was \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

<u>Description</u>	<u>Estimated Useful Life</u>
Land Improvements	10 - 15 years
Buildings	50 years
Equipment	5 - 20 years
Vehicles	5 - 20 years
Infrastructure	20 - 50 years
Utility Structures in Service	50 - 75 years

G. Compensated Absences

Employees of the City are granted vacation and sick leave in varying amounts. In the event of separation, an employee may be reimbursed for accumulated vacation and sick leave at varying rates.

Vested vacation and sick leave is recorded as an expense in the government-wide financial statements for the period in which such leave was earned. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date.

H. Interfund Activity

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

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

I. Fund Balance Reserves

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

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

J. Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the of the financial statements and reported revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

K. Net Assets

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

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. POOLED CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as "Pooled cash and cash equivalents."

Deposits – At December 31, 2009, the carrying amount of the City's cash deposits was \$4,068,238. As of December 31, 2009, \$1,079,878 of the City's bank balance of \$4,140,520 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$3,060,642 was exposed to custodial credit risk as described below.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

Investments – The Ohio Revised Code and the City’s investment policy authorize the City to invest in the State Treasury Asset Reserve of Ohio, certificates of deposit, repurchase agreements, United States treasury bills and notes, federal agency securities, bankers’ acceptances and commercial paper of the highest rating. The city’s investment policy applies to all funds and fund types. All deposits are made to authorized public depositories and contracts with such institutions are in accordance with the Ohio Revised Code and the City’s investment policy. All investments are reported at fair value which is based on quoted market prices.

The City invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The State operates the pool in accordance with Ohio Revised Code Section 135.45. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2009.

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$37,117	\$37,117

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from fluctuating interest rates and in accordance with the Ohio Revised Code, the City’s investment policy limits investment portfolio maturities to five years or less. The investment policy also requires sufficient liquidity to be maintained in the portfolio and that investments be scheduled to mature concurrently with ongoing cash requirements so that the City’s obligations can be met without selling securities.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

Credit Risk: It is the City’s policy to limit its investments that are not obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government to investments which have the highest credit quality rating issued by nationally recognized

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

statistical rating organizations. As of December 31, 2009, the City's investment in STAR Ohio was rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$37,117	100%

Cash with Fiscal Agent - At year-end, the City had \$3,203 on deposit with the Greene County Treasurer for permissive funds collected, but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from the Greene Country Comprehensive Annual Financial Report for the year ended December 31, 2009. This amount is not included in the City's depository balance.

3. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 0	\$625,000
Police	100,000	0
Fire	275,000	0
Capital improvements	<u>250,000</u>	<u>0</u>
Total	<u>\$625,000</u>	<u>\$625,000</u>

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property taxes are levied each December 31st on the assessed value listed as of the prior December 31st. Assessed values are established for real property at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2008.

The property tax calendar is as follows:

Levy date	December 31, 2008
Lien date	December 31, 2008
Tax bill mailed	January 20, 2009
First installment payment due	February 15, 2009
Second installment payment due	July 15, 2009

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes may be paid on an annual or semi-annual basis.

The full tax rate for all City operations for the year ended December 31, 2009 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real estate	\$172,006,400
Public utility tangible personal property	2,857,410
Tangible personal property	<u>703,890</u>
Total	<u>\$175,567,700</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

<i>Governmental Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land and Land Improvements	\$ 369,451	\$ 0	\$ 0	\$ 369,451
Construction in progress	<u>0</u>	<u>377,958</u>	<u>0</u>	<u>377,958</u>
Subtotal	<u>369,451</u>	<u>377,958</u>	<u>0</u>	<u>747,409</u>
<i>Capital assets being depreciated:</i>				
Land improvements	277,905	0	0	277,905
Building and improvements	3,084,481	9,685	0	3,094,166
Machinery and equipment	565,320	12,535	(9,495)	568,360
Vehicles	1,665,058	9,382	0	1,674,440
Infrastructure	<u>1,311,558</u>	<u>276,441</u>	<u>0</u>	<u>1,587,999</u>
Subtotal	<u>6,904,322</u>	<u>308,043</u>	<u>(9,495)</u>	<u>7,202,870</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(225,361)	(10,266)	0	(235,627)
Building and improvements	(762,627)	(62,925)	0	(825,552)
Machinery and equipment	(376,919)	(32,544)	9,495	(399,968)
Vehicles	(1,082,272)	(98,903)	0	(1,181,175)
Infrastructure	<u>(158,681)</u>	<u>(77,491)</u>	<u>0</u>	<u>(236,172)</u>
Subtotal	<u>(2,605,860)</u>	<u>(282,129)</u>	<u>9,495</u>	<u>(2,878,494)</u>
Net capital assets	<u>\$4,667,913</u>	<u>\$403,872</u>	<u>\$ 0</u>	<u>\$5,071,785</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Depreciation was charged to governmental activities as follows:

General government	\$ 65,612
Public safety	115,872
Transportation	<u>100,645</u>
Total governmental activities depreciation expense	<u>\$282,129</u>

<i>Business-type Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 585,715	\$ 4,499	\$ 0	\$ 590,214
Construction in progress	<u>635,081</u>	<u>77,554</u>	<u>(531,608)</u>	<u>181,027</u>
Subtotal	<u>1,220,796</u>	<u>82,053</u>	<u>(531,608)</u>	<u>771,241</u>
<i>Capital assets being depreciated:</i>				
Land improvements	29,958	0	0	29,958
Utility structures in service	13,075,333	610,712	0	13,686,045
Building and improvements	2,503,646	132,700	0	2,636,346
Machinery and equipment	286,291	53,022	(5,695)	333,618
Vehicles	<u>88,250</u>	<u>24,647</u>	<u>(26,886)</u>	<u>86,011</u>
Subtotal	<u>15,983,478</u>	<u>821,081</u>	<u>(32,581)</u>	<u>16,771,978</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(22,019)	(1,091)	0	(23,110)
Utility structures in service	(5,203,112)	(178,695)	0	(5,381,807)
Building and improvements	(844,746)	(64,931)	0	(909,677)
Machinery and equipment	(105,746)	(25,595)	5,695	(125,646)
Vehicles	<u>(50,915)</u>	<u>(6,862)</u>	<u>26,886</u>	<u>(30,891)</u>
Subtotal	<u>(6,226,538)</u>	<u>(277,174)</u>	<u>32,581</u>	<u>(6,471,131)</u>
Net capital assets	<u>\$10,977,736</u>	<u>\$ 625,960</u>	<u>\$ (531,608)</u>	<u>\$11,072,088</u>

Depreciation was charged to business-type activities as follows:

Waste collection	\$ 11,247
Water	<u>265,927</u>
Total business-type activities depreciation expense	<u>\$277,174</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

6. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA), a joint insurance pool. The pool consists of twenty municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability.

The City pays an annual premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. During 2009, MVRMA's per occurrence retention limit for property was \$200,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a per occurrence retention limit of \$1,000,000. After the retention limits are reached, excess insurance will cover up to the limits stated below:

General liability	\$10,000,000 per occurrence
Automobile liability	\$10,000,000 per occurrence
Police professional liability	\$10,000,000 per occurrence
Public officials liability	\$10,000,000 per occurrence
Boiler and machinery	\$100,000,000 per occurrence
Property	\$1,000,000,000 per occurrence
Flood	\$25,000,000 per occurrence
Earthquake	\$25,000,000 per occurrence

There were no significant reductions in insurance coverage during the year in any category of risk. Settled claims did not exceed insurance coverage in each of the past three years.

The City is a member of a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers compensation rating purposes. The City pays the State Workers' Compensation System a premium based on salaries paid. The City also provides medical, dental and life insurance to all full time employees. In 2009, the City paid 100% of the premiums for the medical, dental and life insurance coverages.

7. PENSION PLANS

Substantially all City employees are covered by one of two pension plans: the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund.

A. Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. Plan members were required to contribute 10.0% of their annual covered salary and the City was required to contribute 14.0%. The City's required contributions for pension obligations for the years ended December 31, 2009, 2008, and 2007 were \$94,925, \$79,367 and \$92,704 respectively; 83% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. The City's contributions for pension obligations for the years ended December 31, 2009, 2008, and 2007 were \$168,124, \$159,314 and \$154,376, respectively; 70% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

8. OTHER POST EMPLOYMENT BENEFIT (OPEB)

In addition to the pension benefits described in Note 7, both the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund provide post-retirement healthcare coverage which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

OPERS issue a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Active members do not make contributions to the post-employment healthcare plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

selected. The City contributions allocated to fund post-employment benefits for the years ended December 31, 2009, 2008, and 2007 were \$68,205, 79,366, and \$61,121, respectively; 83% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

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

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The ORC provides for contributions requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employees, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2009

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F allocated to fund post-employment benefits were \$79,966, \$75,911, and \$73,818 for the years ended December 31, 2009, 2008, and 2007 respectively; 70% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The number of participants eligible to receive health care benefits as of December 31, 2008 was 14,567 for Police and 10,750 for Firefighters. The plan's total health care expenses for the year ended December 31, 2008 were \$96,472,398, which was net of member contributions of \$56,948,977.

9. LONG-TERM OBLIGATIONS

- A. During 2009, the following changes occurred in the governmental activities long-term obligations:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due within One Year
<i>Governmental-type Activities:</i>					
Compensated Absences	196,645	85,980	(85,876)	196,749	80,590
Total	<u>\$196,645</u>	<u>\$85,980</u>	<u>\$(85,876)</u>	<u>\$196,749</u>	<u>\$80,590</u>

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

B. During 2009, the following changes occurred in the business-type activities long-term obligations:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due within One Year
<i>Business-type Activities:</i>					
<u>Revenue bonds</u>					
Waterworks system					
1982 5.00%	\$850,000	\$ 0	\$(48,000)	\$802,000	\$50,000
 <u>Ohio Public Works Commission loan</u>					
Elevated water storage tank					
1995 0.00%	187,500	0	(25,000)	162,500	25,000
Compensated Absences	41,912	50,585	(17,287)	75,210	35,003
Total	<u>\$1,079,412</u>	<u>\$50,585</u>	<u>\$(90,287)</u>	<u>\$1,039,710</u>	<u>\$110,003</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1,540,000 in Series 1982 water revenue bonds. Proceeds of the water revenue bonds were used for infrastructure improvements. The Series 1982 water revenue bonds are payable solely from water customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 47.54 percent of net revenues. The total principal and interest remaining to be paid on the Series 1982 water revenue bonds is \$1,086,050.

C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2009, follows:

Year Ending December 31,	Revenue Bonds		OPWC Loan	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$50,000	\$40,100	\$25,000	\$ 0
2011	53,000	37,600	25,000	0
2012	56,000	34,950	25,000	0
2013	58,000	32,150	25,000	0
2014	61,000	29,250	25,000	0
2015-2019	355,000	97,200	37,500	0
2020-2021	<u>169,000</u>	<u>12,800</u>	<u>0</u>	<u>0</u>
	<u>\$802,000</u>	<u>\$284,050</u>	<u>\$162,500</u>	<u>\$ 0</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

D. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2009, the City's total debt margin was \$18,434,609 and the unvoted debt margin was \$9,656,224.

10. CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2009.

B. Litigation

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

11. CONSTRUCTION COMMITMENTS

Construction and other commitments at December 31, 2009, were approximately \$324,689.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 555,000	\$ 587,429	\$ 587,430	\$ 1
Intergovernmental revenues	359,747	369,652	493,772	124,120
Charges for services	30,870	36,920	36,823	(97)
Fines, licenses, and permits	129,100	125,100	126,853	1,753
Interest earned	100,000	20,000	18,689	(1,311)
Miscellaneous and reimbursements	6,000	5,000	5,589	589
Total revenues	<u>1,180,717</u>	<u>1,144,101</u>	<u>1,269,156</u>	<u>125,055</u>
Expenditures:				
Current:				
General government	506,082	511,937	454,060	57,877
Public safety	88,726	85,226	84,617	609
Community environment	37,400	53,825	48,819	5,006
Recreation	28,097	27,797	11,499	16,298
Total expenditures	<u>660,305</u>	<u>678,785</u>	<u>598,995</u>	<u>79,790</u>
Excess (deficiency) of revenues over expenditures	520,412	465,316	670,161	204,845
Other financing sources (uses):				
Transfers (out)	<u>(600,000)</u>	<u>(625,000)</u>	<u>(625,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(625,000)</u>	<u>(625,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(79,588)	(159,684)	45,161	204,845
Fund balance at beginning of year	768,534	768,534	768,534	-
Prior year encumbrances appropriated	<u>90,782</u>	<u>90,782</u>	<u>90,782</u>	<u>-</u>
Fund balance at end of year	<u>\$ 779,728</u>	<u>\$ 699,632</u>	<u>\$ 904,477</u>	<u>\$ 204,845</u>

See Notes to the Required Supplementary Information.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
Street Fund
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 313,000	\$ 289,000	\$ 291,728	\$ 2,728
Miscellaneous and reimbursements	4,000	11,750	12,155	405
Total revenues	<u>317,000</u>	<u>300,750</u>	<u>303,883</u>	<u>3,133</u>
Expenditures:				
Current:				
Transportation	296,564	296,569	287,810	8,759
Total expenditures	<u>296,564</u>	<u>296,569</u>	<u>287,810</u>	<u>8,759</u>
Excess (deficiency) of revenues over expenditures	20,436	4,181	16,073	11,892
Fund balance at beginning of year	72,203	72,203	72,203	-
Prior year encumbrances appropriated	<u>969</u>	<u>969</u>	<u>969</u>	<u>-</u>
Fund balance at end of year	<u>\$ 93,608</u>	<u>\$ 77,353</u>	<u>\$ 89,245</u>	<u>\$ 11,892</u>

See Notes to the Required Supplementary Information.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
Police Fund
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 1,180,000	\$ 1,183,056	\$ 1,183,056	\$ -
Intergovernmental revenues	209,000	212,866	212,084	(782)
Miscellaneous and reimbursements	<u>2,600</u>	<u>5,050</u>	<u>7,105</u>	<u>2,055</u>
Total revenues	1,391,600	1,400,972	1,402,245	1,273
Expenditures:				
Current:				
Public safety	<u>1,453,064</u>	<u>1,523,669</u>	<u>1,478,825</u>	<u>44,844</u>
Total expenditures	<u>1,453,064</u>	<u>1,523,669</u>	<u>1,478,825</u>	<u>44,844</u>
Excess (deficiency) of revenues over expenditures	(61,464)	(122,697)	(76,580)	46,117
Other financing sources (uses):				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	38,536	(22,697)	23,420	46,117
Fund balance at beginning of year	115,200	115,200	115,200	-
Prior year encumbrances appropriated	<u>2,999</u>	<u>2,999</u>	<u>2,999</u>	<u>-</u>
Fund balance at end of year	<u>\$ 156,735</u>	<u>\$ 95,502</u>	<u>\$ 141,619</u>	<u>\$ 46,117</u>

See Notes to the Required Supplementary Information.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
Fire Fund
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 430,000	\$ 431,290	\$ 431,289	\$ (1)
Intergovernmental revenues	82,500	86,827	86,625	(202)
Charges for services	110,000	120,000	112,453	(7,547)
Miscellaneous and reimbursements	4,000	2,300	2,335	35
Total revenues	<u>626,500</u>	<u>640,417</u>	<u>632,702</u>	<u>(7,715)</u>
Expenditures:				
Current:				
Public safety	<u>836,750</u>	<u>895,738</u>	<u>858,427</u>	<u>37,311</u>
Total expenditures	<u>836,750</u>	<u>895,738</u>	<u>858,427</u>	<u>37,311</u>
Excess (deficiency) of revenues over expenditures	(210,250)	(255,321)	(225,725)	29,596
Other financing sources (uses):				
Transfers in	<u>250,000</u>	<u>275,000</u>	<u>275,000</u>	-
Total other financing sources (uses)	<u>250,000</u>	<u>275,000</u>	<u>275,000</u>	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	39,750	19,679	49,275	29,596
Fund balance at beginning of year	7,867	7,867	7,867	-
Prior year encumbrances appropriated	<u>1,353</u>	<u>1,353</u>	<u>1,353</u>	-
Fund balance at end of year	<u>\$ 48,970</u>	<u>\$ 28,899</u>	<u>\$ 58,495</u>	<u>\$ 29,596</u>

See Notes to the Required Supplementary Information.

City of Bellbrook, Ohio

Notes to the Required Supplementary Information For the Fiscal Year Ended December 31, 2009

Budgets and Budgetary Accounting

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year. Appropriations are legally required for each fund at the level of personal services or other expenses on a department level.

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

City of Bellbrook, Ohio

Notes to the Required Supplementary Information For the Fiscal Year Ended December 31, 2009

- 3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- 4) Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

Reconciliation of Budget Basis to GAAP Basis

The adjustments necessary to convert the results of operations and fund balances at end of the year on the GAAP basis to the budget basis are as follows:

	General Fund	Street Fund	Police Fund	Fire Fund
GAAP basis	\$150,372	\$(24,748)	\$68,413	\$ 64,258
Net adjustment for revenue accruals	(5,215)	43,151	(1,600)	2,700
Net adjustment for expenditure accruals	(72,418)	176	7,861	9,758
Net adjustment for encumbrances	<u>(27,578)</u>	<u>(2,506)</u>	<u>(51,254)</u>	<u>(27,441)</u>
Budget basis	<u>\$ 45,161</u>	<u>\$16,073</u>	<u>\$23,420</u>	<u>\$ 49,275</u>

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

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those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 17, 2011

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Dave Yost • Auditor of State

CITY OF BELLBROOK

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2011**