
City of Bellbrook, Ohio

Basic Financial Statements

December 31, 2010

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, 2010 through December 31, 2010. 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, 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, 2010, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City of Bellbrook'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 the 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Ohio, as of December 31, 2010, and the respective changes 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, and 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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The 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required 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, 2010 (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, 2010. 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 2010 are as follows:

- The total net assets of the City increased \$1,603,774 or 8.07%. Net assets of governmental activities increased \$597,571 or 7.09% over 2009 and net assets of business-type activities increased \$1,006,203 or 8.80% over 2009.
- Unrestricted net assets of the City increased \$32,952 or 1.36%. Unrestricted net assets of governmental activities increased \$144,712 or 13.28% and unrestricted net assets of business-type activities decreased \$111,760 or -8.39%.
- Total revenues increased \$1,554,598 or 25.27%. Revenues of governmental activities increased \$660,302 or 16.12% and revenues of business-type activities increased \$894,296 or 43.47%.
- Total expenses increased \$628,136 or 11.47%. Expenses of governmental activities increased \$667,136 or 19.11% and expenses of business-type activities decreased \$39,000 or -1.97%.
- As of December 31, 2010 the City's governmental funds report combined ending fund balances of \$3.08 million. Over 94% or \$2.91 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.

City of Bellbrook, Ohio
Management's Discussion and Analysis
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(UNAUDITED)

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" 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

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2010
(UNAUDITED)**

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 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.

City of Bellbrook, Ohio

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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 24-41 of this report.

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2010 compared to 2009.

Net Assets

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Assets:</u>						
Current and other assets	\$6,643,787	\$6,235,618	\$1,509,522	\$1,500,036	\$8,153,309	\$7,735,654
Capital assets	<u>5,369,117</u>	<u>5,071,785</u>	<u>12,511,433</u>	<u>11,072,088</u>	<u>17,880,550</u>	<u>16,143,873</u>
Total assets	<u>12,012,904</u>	<u>11,307,403</u>	<u>14,020,955</u>	<u>12,572,124</u>	<u>26,033,859</u>	<u>23,879,527</u>
<u>Liabilities:</u>						
Long-term liabilities	191,999	196,749	1,335,693	1,039,710	1,527,692	1,236,459
Other liabilities	<u>2,796,076</u>	<u>2,683,396</u>	<u>239,750</u>	<u>93,105</u>	<u>3,035,826</u>	<u>2,776,501</u>
Total liabilities	<u>2,988,075</u>	<u>2,880,145</u>	<u>1,575,443</u>	<u>1,132,815</u>	<u>4,563,518</u>	<u>4,012,960</u>
<u>Net Assets:</u>						
Invested in capital assets, net of debt	5,369,117	5,071,785	11,225,551	10,107,588	16,594,668	15,179,373
Restricted	2,421,139	2,265,612	0	0	2,421,139	2,265,612
Unrestricted	<u>1,234,573</u>	<u>1,089,861</u>	<u>1,219,961</u>	<u>1,331,721</u>	<u>2,454,534</u>	<u>2,421,582</u>
Total net assets	<u>\$9,024,829</u>	<u>\$8,427,258</u>	<u>\$12,445,512</u>	<u>\$11,439,309</u>	<u>\$21,470,341</u>	<u>\$19,866,567</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$21,470,341. At year-end, net assets were \$9,024,829 and \$12,445,512 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 68.68% 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, 2010, were \$5,369,117

City of Bellbrook, Ohio

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and \$11,225,551 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,421,139, 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 \$1,234,573 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 2010 compared to 2009.

Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues:						
Charges for services	\$166,856	\$159,123	\$2,117,213	\$1,884,745	\$2,284,069	\$2,043,868
Operating grants and contributions	437,055	418,281	0	0	437,055	418,281
Capital grants and contributions	486,913	291,106	834,228	172,400	1,321,141	463,506
General revenues:						
Property taxes	2,594,779	2,237,821	0	0	2,594,779	2,237,821
Estate taxes	233,683	195,997	0	0	233,683	195,997
Grants and other contributions not restricted to specific programs	752,395	746,738	0	0	752,395	746,738
Investment earnings	8,860	18,748	0	0	8,860	18,748
Miscellaneous	<u>75,537</u>	<u>27,962</u>	<u>0</u>	<u>0</u>	<u>75,537</u>	<u>27,962</u>
Total revenues	<u>4,756,078</u>	<u>4,095,776</u>	<u>2,951,441</u>	<u>2,057,145</u>	<u>7,707,519</u>	<u>6,152,921</u>
Expenses						
General government	674,306	481,689	0	0	674,306	481,689
Public safety	2,768,661	2,541,750	0	0	2,768,661	2,541,750
Community environment	78,790	40,878	0	0	78,790	40,878
Recreation	14,755	11,369	0	0	14,755	11,369
Transportation	621,995	415,685	0	0	621,995	415,685
Waste collection	0	0	481,826	460,261	481,826	460,261
Water	<u>0</u>	<u>0</u>	<u>1,463,412</u>	<u>1,523,977</u>	<u>1,463,412</u>	<u>1,523,977</u>
Total expenses	<u>4,158,507</u>	<u>3,491,371</u>	<u>1,945,238</u>	<u>1,984,238</u>	<u>6,103,745</u>	<u>5,475,609</u>
Change in net assets	<u>\$597,571</u>	<u>\$604,405</u>	<u>\$1,006,203</u>	<u>\$72,907</u>	<u>\$1,603,774</u>	<u>\$677,312</u>

City of Bellbrook, Ohio

**Management's Discussion and Analysis
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(UNAUDITED)**

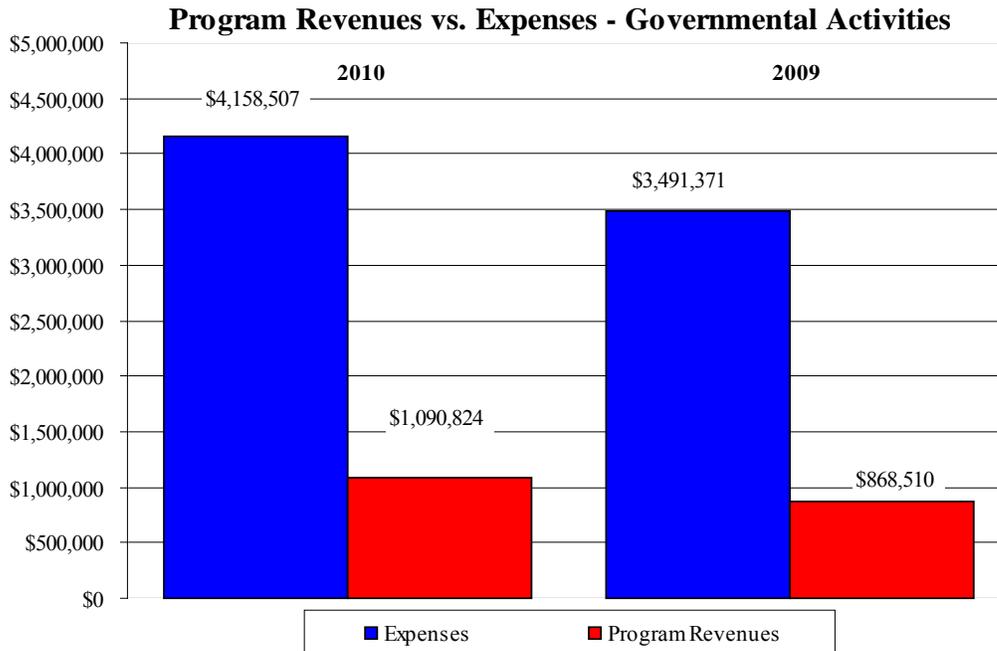
Governmental Activities

Governmental activities net assets increased \$597,571 in 2010. Public safety which primarily supports the operations of the police and fire department accounted for \$2,768,661 or 66.58% of the total expenses of the City. Public safety expenses were partially funded by \$130,747 in direct charges to users of the services. General government expenses totaled \$674,306. General government expenses were partially funded by \$32,743 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$437,055 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$418,762 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,665,254, and amounted to 77.06% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,594,779. 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 \$752,395.

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.

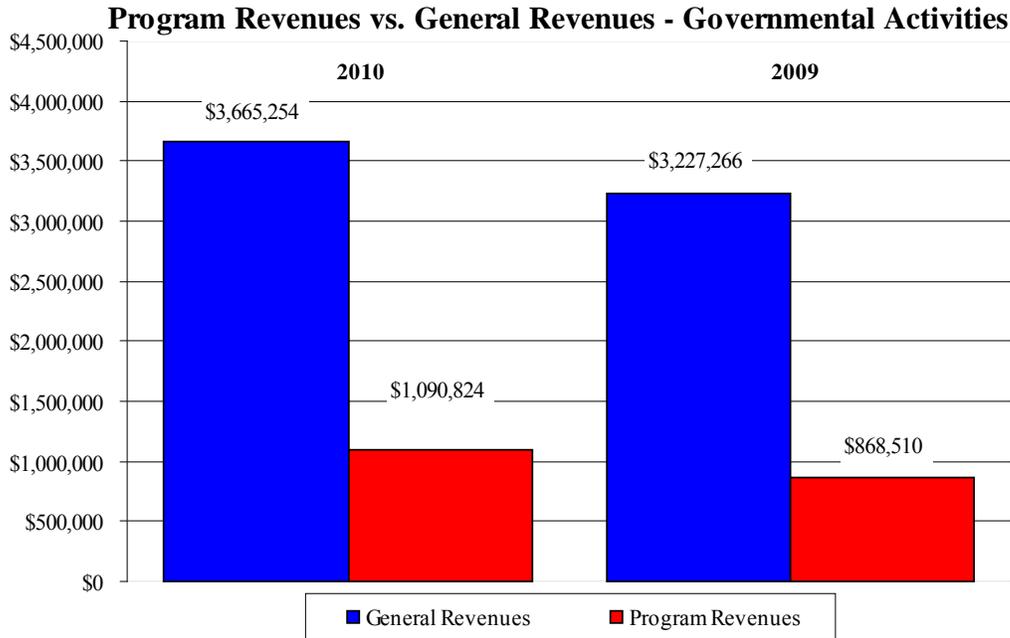


The dependence upon general revenues for governmental activities is apparent, with 73.77% of expenses supported through taxes and other general revenues. The chart below illustrates the

City of Bellbrook, Ohio

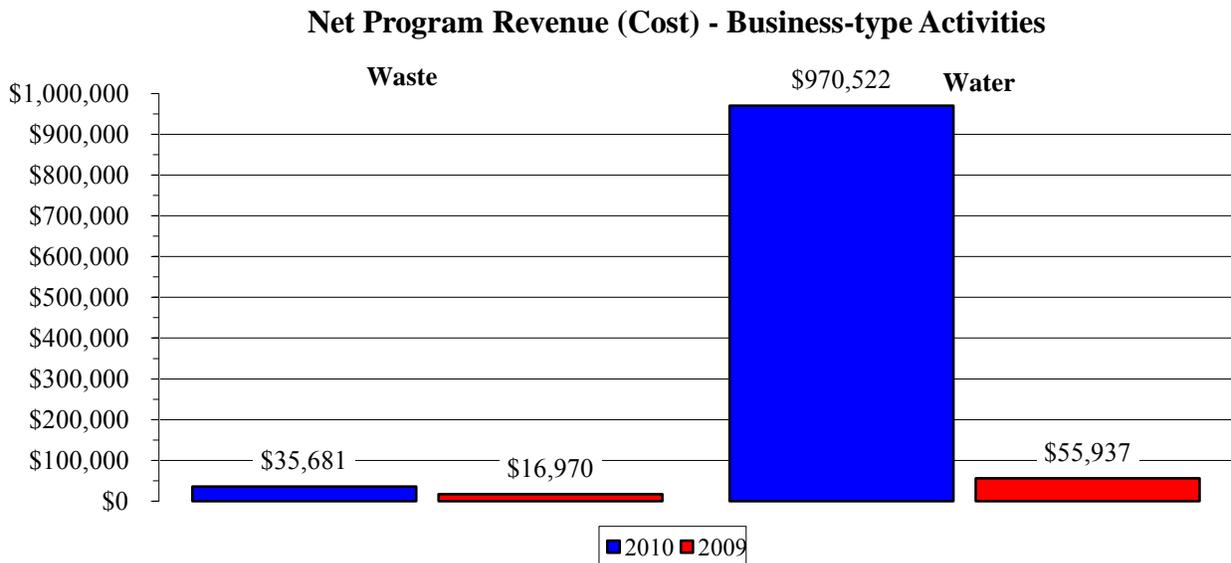
**Management's Discussion and Analysis
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City's program revenues versus general revenues for 2010 and 2009.



Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,951,441 and expenses of \$1,945,238 for 2010. The graph below shows the net program revenue (cost) for each business-type activity:



City of Bellbrook, Ohio

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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 \$3,079,356 which is \$14,910 above last year's total of \$3,064,446. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and non-major governmental funds.

	Fund Balance	Fund Balance	Increase
	<u>12/31/10</u>	<u>12/31/09</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 870,088	\$ 986,719	\$(116,631)
Street	150,221	168,245	(18,024)
Police	27,358	125,250	(97,892)
Fire	100,674	48,846	51,828
Capital improvement	1,815,829	1,620,885	194,944
Other non-major governmental funds	<u>115,186</u>	<u>114,501</u>	<u>685</u>
Total	<u>\$3,079,356</u>	<u>\$3,064,446</u>	<u>\$14,910</u>

The City's **general fund** balance decreased \$116,631. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010</u>	<u>2009</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
General Fund Revenues:			
Local taxes	\$ 588,035	\$ 587,430	0.10%
Intergovernmental	305,363	496,751	(38.53)%
Special assessments	525	0	100.00%
Charges for services	31,452	36,823	(14.59)%
Fines, licenses & permits	145,311	129,580	12.14%
Investment income	8,833	18,689	(52.74)%
Miscellaneous receipts	<u>3,568</u>	<u>5,098</u>	(30.01)%
Total	<u>\$1,083,087</u>	<u>\$1,274,371</u>	<u>(15.01)%</u>

City of Bellbrook, Ohio

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During 2010 the City decreased general fund revenues by 15.01%. The 52.74% decrease in investment income was primarily due to the continued declining interest rates and conservative investment practices in 2010. The 38.53% decrease in intergovernmental was due to decreasing state aid and minimal estate taxes in 2010.

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General Fund Expenditures:			
General government	\$439,633	\$426,941	2.97%
Public safety	14,441	14,474	(0.23)%
Community environment	80,889	46,215	75.03%
Recreation	14,755	11,369	29.78%
Other financing uses:			
Transfers out	<u>650,000</u>	<u>625,000</u>	4.00%
Total	<u>\$1,199,718</u>	<u>\$1,123,999</u>	6.74%

During 2010 the City increased total expenditures and other financing uses by 6.74%. The largest expenditure category, general government, increased 2.97% 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, community environment, increased 75.03%, which is primarily attributed to the re-allocation of certain expenses from the water fund. Transfers out increased slightly due to additional transfers to the capital improvements fund and a reduction of transfers to the fire fund in 2010.

The **street fund** had revenues of \$308,532 in 2010. The expenditures of the street fund, totaled \$326,556 in 2010. The net decrease in fund balance for the street fund was \$(18,024) or -10.71%.

The **police fund** had revenues and other financing sources of \$1,505,468 in 2010. The expenditures of the police fund totaled \$1,603,360 in 2010. The net decrease in fund balance for the police fund was \$97,892 or -78.16%. The decrease can be attributed increased operational costs in the police fund with no corresponding increase in revenue. This planned decrease in fund balance will require an additional revenue in future years.

The **fire fund** had revenues and other financing sources of \$1,020,072 in 2010. The expenditures of the fire fund totaled \$968,244 in 2010. The net increase in fund balance for the fire fund was \$51,828 or 106.10%. The increase can be attributed to additional funding received with the approval of a property tax levy in 2009. Collection of this levy began in 2010.

The **capital improvement fund** had revenues other financing sources of \$904,332 in 2010. The

City of Bellbrook, Ohio

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expenditures of the capital improvement fund totaled \$709,388 in 2010. The net increase in fund balance for the capital improvement fund was \$194,944 or 12.03%. The planned increase is due to the return of the general fund transfer amount to previous year's level. The fund balance is accumulated in anticipation of future significant capital projects.

General Fund Budgetary Highlights

General fund appropriations were decreased nominally in 2010. Actual expenditures were \$62,224 less than the final appropriations. In addition, actual revenues exceeded budgetary estimates by \$7,483. Actual results in the general fund were very close to budgetary projections for 2010.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the City had \$17,880,550 (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, \$5,369,117 was reported in governmental activities and \$12,511,433 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:

- \$136,645 in additional street improvements.
- \$663,860 for intersection improvements on Little Sugarcreek Road.
- \$1,444,804 addition to construction in progress for improvements to the City's water treatment plant.

Debt Administration

The City had the following long-term debt outstanding at December 31, 2010 and 2009:

	Business-type Activities	
	<u>2010</u>	<u>2009</u>
Revenue bonds	\$752,000	\$802,000
OPWC loans	<u>533,882</u>	<u>162,500</u>
Total	<u>\$1,285,882</u>	<u>\$964,500</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, 2010 (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 2010, there were two active housing developments underway. New single-family housing permits increased slightly in 2010. The current economic conditions and the mortgage market problems continue to have 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.

The State of Ohio, in an effort to balance their budget, has proposed decreasing several forms of state aid that the City currently receives. The full breadth of the cuts is uncertain at this time, but they will certainly have a significant impact on the City's finances.

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, 2010**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 3,155,636	\$ 1,067,363	\$ 4,222,999
Cash and cash equivalents with fiscal agents	43,022	-	43,022
Receivables (net):			
Taxes	2,623,256	-	2,623,256
Accounts	59,733	369,318	429,051
Intergovernmental	710,676	-	710,676
Special assessments	115	4,620	4,735
Inventory	32,867	55,096	87,963
Prepaid items	18,482	13,125	31,607
Capital assets:			
Capital assets not subject to depreciation:			
Land and land improvements	282,980	625,120	908,100
Construction in progress	-	1,625,831	1,625,831
Capital assets net of accumulated depreciation	<u>5,086,137</u>	<u>10,260,482</u>	<u>15,346,619</u>
 Total assets	 <u>\$ 12,012,904</u>	 <u>\$ 14,020,955</u>	 <u>\$ 26,033,859</u>
LIABILITIES			
Accounts payable	\$ 5,126	\$ 93,897	\$ 99,023
Accrued liabilities	186,112	76,936	263,048
Due to other governments	118,838	15,493	134,331
Deferred revenue	2,486,000	28,357	2,514,357
Accrued interest payable	-	25,067	25,067
Noncurrent liabilities:			
Due within one year	95,360	114,082	209,442
Due in more than one year	<u>96,639</u>	<u>1,221,611</u>	<u>1,318,250</u>
 Total liabilities	 <u>2,988,075</u>	 <u>1,575,443</u>	 <u>4,563,518</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,369,117	11,225,551	16,594,668
Restricted for:			
Capital improvement	1,815,829	-	1,815,829
Public safety	231,624	-	231,624
Streets & highways	372,556	-	372,556
Debt service	-	-	-
Other purposes	1,130	-	1,130
Unrestricted	<u>1,234,573</u>	<u>1,219,961</u>	<u>2,454,534</u>
 Total net assets	 <u>9,024,829</u>	 <u>12,445,512</u>	 <u>21,470,341</u>
 Total liabilities and net assets	 <u>\$ 12,012,904</u>	 <u>\$ 14,020,955</u>	 <u>\$ 26,033,859</u>

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Activities
For the Year Ended December 31, 2010**

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	\$ 674,306	\$ 32,743	\$ -	\$ -	\$ (641,563)	\$ (641,563)
Public safety	2,768,661	130,747	18,293	-	(2,619,621)	(2,619,621)
Community environment	78,790	3,366	-	-	(75,424)	(75,424)
Recreation	14,755	-	-	-	(14,755)	(14,755)
Transportation	621,995	-	418,762	486,913	283,680	283,680
Total governmental activities	<u>4,158,507</u>	<u>166,856</u>	<u>437,055</u>	<u>486,913</u>	<u>(3,067,683)</u>	<u>(3,067,683)</u>
Business-type activities:						
Waste collection	481,826	517,507	-	-	\$ 35,681	35,681
Water	1,463,412	1,599,706	-	834,228	970,522	970,522
Total business-type activities	<u>1,945,238</u>	<u>2,117,213</u>	<u>-</u>	<u>834,228</u>	<u>1,006,203</u>	<u>1,006,203</u>
Total	<u>\$ 6,103,745</u>	<u>\$ 2,284,069</u>	<u>\$ 437,055</u>	<u>\$ 1,321,141</u>	<u>(3,067,683)</u>	<u>1,006,203</u>
General revenues:						
Taxes:						
Property taxes					2,594,779	-
Estate taxes					233,683	-
Grants and contributions not restricted to specific programs					752,395	-
Investment earnings					8,860	-
Miscellaneous					75,537	-
Total general revenues and transfers					<u>3,665,254</u>	<u>-</u>
Change in net assets					597,571	1,006,203
Net assets - beginning					8,427,258	11,439,309
Net assets - ending					<u>\$ 9,024,829</u>	<u>\$ 12,445,512</u>
						<u>\$ 21,470,341</u>

See Notes to the Basic Financial Statements.

**City of Bellbrook
Balance Sheet
Governmental Funds
December 31, 2010**

	General	Street	Police	Fire	Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
ASSETS							
Pooled cash and cash equivalents	\$ 829,995	\$ 115,807	\$ 171,367	\$ 170,767	\$ 1,772,807	\$ 94,893	\$ 3,155,636
Receivables (net):							
Taxes	599,784	-	1,219,672	757,340	-	46,460	2,623,256
Accounts	29,265	-	-	30,468	-	-	59,733
Intergovernmental	375,171	144,656	92,392	55,946	-	42,511	710,676
Special assessments	115	-	-	-	-	-	115
Inventory	-	12,511	10,540	1,857	-	7,959	32,867
Prepaid items	723	2,608	11,346	3,805	-	-	18,482
Restricted assets:							
Cash and cash equivalents with fiscal agent	-	-	-	-	43,022	-	43,022
Total assets	\$ 1,835,053	\$ 275,582	\$ 1,505,317	\$ 1,020,183	\$ 1,815,829	\$ 191,823	\$ 6,643,787
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,820	\$ -	\$ 1,271	\$ 1,951	\$ -	\$ 84	\$ 5,126
Accrued liabilities	19,034	25,076	99,487	42,515	-	-	186,112
Due to other governments	6,003	4,541	67,788	40,506	-	-	118,838
Deferred revenue	938,108	95,744	1,309,413	834,537	-	76,553	3,254,355
Total liabilities	964,965	125,361	1,477,959	919,509	-	76,637	3,564,431
Fund Balances:							
Reserved for:							
Restricted assets	-	-	-	-	43,022	-	43,022
Inventory	-	12,511	10,540	1,857	-	7,959	32,867
Prepaid items	723	2,608	11,346	3,805	-	-	18,482
Encumbrances	-	-	-	90	76,751	-	76,841
Unreserved, reported in:							
General fund	869,365	-	-	-	-	-	869,365
Special revenue funds	-	135,102	5,472	94,922	-	107,227	342,723
Capital projects funds	-	-	-	-	1,696,056	-	1,696,056
Total fund balances	870,088	150,221	27,358	100,674	1,815,829	115,186	3,079,356
Total liabilities and fund balances	\$ 1,835,053	\$ 275,582	\$ 1,505,317	\$ 1,020,183	\$ 1,815,829	\$ 191,823	\$ 6,643,787

See Notes to the Basic Financial Statements.

City of Bellbrook
Reconciliation of Total
Governmental Fund Balances to Net
Assets of Governmental Activities
December 31, 2010

Total governmental fund balances	\$ 3,079,356
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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.	5,369,117
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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	137,256
Accounts receivable	21,251
Intergovernmental receivable	609,733
Special assessment receivable	115

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

Compensated absences	(191,999)
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Net assets of governmental activities	<u>\$ 9,024,829</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, 2010

	General	Street	Police	Fire	Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
REVENUES:							
Local taxes	\$ 588,035	\$ -	\$ 1,180,521	\$ 731,699	\$ -	45,527	\$ 2,545,782
Intergovernmental revenues	305,363	298,502	213,588	123,969	357,425	88,383	1,387,230
Special assessments	525	-	-	-	-	-	525
Charges for services	31,452	-	-	113,513	-	-	144,965
Fines, licenses and permits	145,311	-	528	-	-	-	145,839
Investment income	8,833	-	-	-	-	-	8,833
Miscellaneous receipts	3,568	10,030	10,831	891	46,907	791	73,018
Total revenues	<u>1,083,087</u>	<u>308,532</u>	<u>1,405,468</u>	<u>970,072</u>	<u>404,332</u>	<u>134,701</u>	<u>4,306,192</u>
EXPENDITURES:							
Current:							
General government	439,633	-	-	-	-	2,821	442,454
Public safety	14,441	-	1,603,360	968,244	-	53,735	2,639,780
Community environment	80,889	-	-	-	-	-	80,889
Recreation	14,755	-	-	-	-	-	14,755
Transportation	-	326,556	-	-	-	77,460	404,016
Capital outlay	-	-	-	-	709,388	-	709,388
Total expenditures	<u>549,718</u>	<u>326,556</u>	<u>1,603,360</u>	<u>968,244</u>	<u>709,388</u>	<u>134,016</u>	<u>4,291,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>533,369</u>	<u>(18,024)</u>	<u>(197,892)</u>	<u>1,828</u>	<u>(305,056)</u>	<u>685</u>	<u>14,910</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	100,000	50,000	500,000	-	650,000
Transfers out	<u>(650,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(650,000)</u>
Total other financing sources (uses)	<u>(650,000)</u>	<u>-</u>	<u>100,000</u>	<u>50,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(116,631)	(18,024)	(97,892)	51,828	194,944	685	14,910
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 870,088</u>	<u>\$ 150,221</u>	<u>\$ 27,358</u>	<u>\$ 100,674</u>	<u>\$ 1,815,829</u>	<u>\$ 115,186</u>	<u>\$ 3,079,356</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, 2010

Net change in fund balances - total governmental funds \$ 14,910

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	790,384
Current year depreciation	(305,226)

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

(187,826)

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

Property taxes	48,997
Charges for services	(5,554)
Intergovernmental revenue	237,136

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.

4,750

Change in net assets of governmental activities \$ 597,571

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Net Assets
Proprietary Funds
December 31, 2010**

	Business-type Activities		
	Waste Collection	Water	Totals
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 208,679	\$ 858,684	\$ 1,067,363
Receivables (net):			
Accounts	9,587	359,731	369,318
Special assessments	-	4,620	4,620
Inventory	-	55,096	55,096
Prepaid items	141	12,984	13,125
Total current assets	<u>218,407</u>	<u>1,291,115</u>	<u>1,509,522</u>
Noncurrent assets:			
Capital assets:			
Capital assets not subject to depreciation:			
Land and land improvements	-	625,120	625,120
Construction in progress	-	1,625,831	1,625,831
Capital assets (net of accumulated depreciation)	<u>62,492</u>	<u>10,197,990</u>	<u>10,260,482</u>
Total noncurrent assets	<u>62,492</u>	<u>12,448,941</u>	<u>12,511,433</u>
Total assets	<u>\$ 280,899</u>	<u>\$ 13,740,056</u>	<u>\$ 14,020,955</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 36,335	\$ 57,562	\$ 93,897
Accrued liabilities	3,163	73,773	76,936
Compensated absences	1,124	34,958	36,082
Due to other governments	243	15,250	15,493
Current portion of OPWC loans	-	25,000	25,000
Current portion of revenue bonds	-	53,000	53,000
Accrued interest payable	-	25,067	25,067
Deferred revenue	28,357	-	28,357
Total current liabilities	<u>69,222</u>	<u>284,610</u>	<u>353,832</u>
Noncurrent liabilities:			
Revenue bonds	-	699,000	699,000
OPWC loans	-	508,882	508,882
Compensated absences	2,120	11,609	13,729
Total noncurrent liabilities	<u>2,120</u>	<u>1,219,491</u>	<u>1,221,611</u>
Total liabilities	<u>71,342</u>	<u>1,504,101</u>	<u>1,575,443</u>
NET ASSETS			
Invested in capital assets, net of related debt	62,492	11,163,059	11,225,551
Unrestricted	<u>147,065</u>	<u>1,072,896</u>	<u>1,219,961</u>
Total net assets	<u>209,557</u>	<u>12,235,955</u>	<u>12,445,512</u>
Total liabilities and net assets	<u>\$ 280,899</u>	<u>\$ 13,740,056</u>	<u>\$ 14,020,955</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, 2010

	Business-type Activities		
	Waste Collection	Water	Totals
OPERATING REVENUES:			
Charges for services	\$ 516,570	\$ 1,594,540	\$ 2,111,110
Other revenue	937	5,166	6,103
Total operating revenues	<u>517,507</u>	<u>1,599,706</u>	<u>2,117,213</u>
OPERATING EXPENSES:			
Personal services	30,102	826,825	856,927
Purchased services	438,011	215,011	653,022
Supplies and materials	19	89,981	90,000
Other expenses	2,447	1,968	4,415
Depreciation	11,247	291,193	302,440
Total operating expenses	<u>481,826</u>	<u>1,424,978</u>	<u>1,906,804</u>
Operating income (loss)	<u>35,681</u>	<u>174,728</u>	<u>210,409</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues	-	672,772	672,772
Interest expense	-	(38,434)	(38,434)
Total nonoperating revenues (expenses)	<u>-</u>	<u>634,338</u>	<u>634,338</u>
Income (loss) before contributions	35,681	809,066	844,747
Capital contributions	<u>-</u>	<u>161,456</u>	<u>161,456</u>
Change in net assets	35,681	970,522	1,006,203
Total net assets - beginning of year	<u>173,876</u>	<u>11,265,433</u>	<u>11,439,309</u>
Total net assets - end of year	<u>\$ 209,557</u>	<u>\$ 12,235,955</u>	<u>\$ 12,445,512</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business-type Activities		
	Waste Collection	Water	Total
Cash flows from operating activities:			
Cash received from customers	\$ 516,510	\$ 1,572,464	\$ 2,088,974
Cash paid to employees	(27,732)	(794,189)	(821,921)
Cash paid to suppliers of goods and services	(404,142)	(247,533)	(651,675)
Other receipts	937	5,166	6,103
Net cash provided (used) by operating activities	<u>85,573</u>	<u>535,908</u>	<u>621,481</u>
Cash flows from non-capital financing activities:			
Cash received from grants	-	672,772	672,772
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>672,772</u>	<u>672,772</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(1,183,947)	(1,183,947)
Principal retirement on revenue bonds	-	(50,000)	(50,000)
Principal retirement on OPWC loans	-	(25,000)	(25,000)
Interest and fiscal charges	-	(40,100)	(40,100)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,299,047)</u>	<u>(1,299,047)</u>
Increase (decrease) in cash and cash equivalents	85,573	(90,367)	(4,794)
Cash and cash equivalents at beginning of year	<u>123,106</u>	<u>949,051</u>	<u>1,072,157</u>
Cash and cash equivalents at end of year	<u>\$ 208,679</u>	<u>\$ 858,684</u>	<u>\$ 1,067,363</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 35,681</u>	<u>\$ 174,728</u>	<u>\$ 210,409</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,247	291,193	302,440
Change in operating assets and liabilities:			
(Increase) decrease in receivables	(180)	(22,076)	(22,256)
(Increase) decrease in prepaid items	(24)	12,558	12,534
(Increase) decrease in inventories	-	(4,558)	(4,558)
Increase (decrease) in liabilities	38,849	84,063	122,912
Total adjustments	<u>49,892</u>	<u>361,180</u>	<u>411,072</u>
Net cash provided (used) by operating activities	<u>\$ 85,573</u>	<u>\$ 535,908</u>	<u>\$ 621,481</u>
Non-cash investing, capital and financing activities:			
Capital assets purchased on account	\$ -	\$ 396,382	\$ 396,382
Capital contributions from developers	\$ -	\$ 161,456	\$ 161,456

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2010**

	<u>Agency Fund</u>
ASSETS	
Pooled cash and cash equivalents	<u>\$ 22,421</u>
 LIABILITIES	
Undistributed monies	<u>\$ 22,421</u>

See Notes to the Basic Financial Statements.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010

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 as an agent (i.e. payroll withholdings and performance bonds).

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

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010

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 2010, 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, 2010

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, 2010

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, 2010, the carrying amount of the City's cash deposits was \$4,208,264. As of December 31, 2010, \$1,579,989 of the City's bank balance of \$4,349,423 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$2,769,434 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, 2010

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 2010. 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, 2010.

As of December 31, 2010, 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	\$37,157	\$37,157

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, 2010

statistical rating organizations. As of December 31, 2010, 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, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$37,157	100%

Cash with Fiscal Agent - At year-end, the City had \$43,022 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, 2010. This amount is not included in the City's depository balance.

3. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 0	\$650,000
Police	100,000	0
Fire	50,000	0
Capital improvements	<u>500,000</u>	<u>0</u>
Total	<u>\$650,000</u>	<u>\$650,000</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, 2009
Lien date	December 31, 2009
Tax bill mailed	January 20, 2010
First installment payment due	February 15, 2010
Second installment payment due	July 15, 2010

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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, 2010 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real estate	\$173,727,260
Public utility tangible personal property	2,890,210
Tangible personal property	<u>171,500</u>
Total	<u>\$176,788,970</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, 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	\$ 34,905	\$ (121,376)	\$ 282,980
Construction in progress	<u>377,958</u>	<u>0</u>	<u>(377,958)</u>	<u>0</u>
Subtotal	<u>747,409</u>	<u>34,905</u>	<u>(499,334)</u>	<u>282,980</u>
<i>Capital assets being depreciated:</i>				
Land improvements	277,905	0	(11,586)	266,319
Building and improvements	3,094,166	8,120	(65,694)	3,036,592
Machinery and equipment	568,360	99,000	(40,452)	626,908
Vehicles	1,674,440	56,505	0	1,730,945
Infrastructure	<u>1,587,999</u>	<u>969,812</u>	<u>0</u>	<u>2,557,811</u>
Subtotal	<u>7,202,870</u>	<u>1,133,437</u>	<u>(117,732)</u>	<u>8,218,575</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(235,627)	(7,276)	11,305	(231,598)
Building and improvements	(825,552)	(63,544)	9,251	(879,845)
Machinery and equipment	(399,968)	(35,048)	30,726	(404,290)
Vehicles	(1,181,175)	(91,126)	0	(1,272,301)
Infrastructure	<u>(236,172)</u>	<u>(108,232)</u>	<u>0</u>	<u>(344,404)</u>
Subtotal	<u>(2,878,494)</u>	<u>(305,226)</u>	<u>51,282</u>	<u>(3,132,438)</u>
Net capital assets	<u>\$5,071,785</u>	<u>\$863,116</u>	<u>\$ (565,784)</u>	<u>\$5,369,117</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Depreciation was charged to governmental activities as follows:

General government	\$ 67,869
Public safety	104,455
Transportation	<u>132,902</u>
Total governmental activities depreciation expense	<u>\$305,226</u>

<i>Business-type Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 590,214	\$ 34,906	\$ 0	\$ 625,120
Construction in progress	<u>181,027</u>	<u>1,444,804</u>	<u>0</u>	<u>1,625,831</u>
Subtotal	<u>771,241</u>	<u>1,479,710</u>	<u>0</u>	<u>2,250,951</u>
<i>Capital assets being depreciated:</i>				
Land improvements	29,958	0	0	29,958
Utility structures in service	13,686,045	161,456	0	13,847,501
Building and improvements	2,636,346	0	0	2,636,346
Machinery and equipment	333,618	44,113	0	377,731
Vehicles	<u>86,011</u>	<u>56,506</u>	<u>0</u>	<u>142,517</u>
Subtotal	<u>16,771,978</u>	<u>262,075</u>	<u>0</u>	<u>17,034,053</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(23,110)	(1,091)	0	(24,201)
Utility structures in service	(5,381,807)	(190,374)	0	(5,572,181)
Building and improvements	(909,677)	(70,366)	0	(980,043)
Machinery and equipment	(125,646)	(29,739)	0	(155,385)
Vehicles	<u>(30,891)</u>	<u>(10,870)</u>	<u>0</u>	<u>(41,761)</u>
Subtotal	<u>(6,471,131)</u>	<u>(302,440)</u>	<u>0</u>	<u>(6,773,571)</u>
Net capital assets	<u>\$11,072,088</u>	<u>\$1,439,345</u>	<u>\$ 0</u>	<u>\$12,511,433</u>

Depreciation was charged to business-type activities as follows:

Waste collection	\$ 11,247
Water	<u>291,193</u>
Total business-type activities depreciation expense	<u>\$302,440</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 2010, MVRMA's per occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a per occurrence retention limit of \$500,000. After the retention limits are reached, excess insurance will cover up to the limits stated below:

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

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

The City is a member of a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers compensation rating purposes. The City pays the State Workers' Compensation System a premium based on salaries paid.

Medical coverage is offered to employees through a self-funded insurance plan. Under this plan, the Risk Management Agency provides coverage for up to a maximum of \$100,000 per person. The plan is offered to local governments state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, Ohio and administered by United Healthcare of Ohio.

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

determined that \$206,446 is a good and sufficient provision for incurred but not reported claims as of December 31, 2010. This amount is non-discounted and is based upon historical claims experience. The claims liability is reported in the respective funds from which employee salaries are paid as part of the accrued liabilities on the Governmental Funds Balance Sheet.

Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2010	\$0	\$479,596	\$273,150	\$206,446

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 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 2010, 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, 2010, 2009, and 2008 were

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

\$107,708, \$94,925 and \$79,367, respectively; 85% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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, 2010, 2009, and 2008 were \$174,676, \$168,124 and \$159,314, respectively; 58% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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 2010, 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 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions allocated to fund post-employment benefits for the years ended December 31, 2010, 2009 and 2008 were \$61,354, \$68,205, and \$79,366, respectively; 85% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

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.

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, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions allocated to fund post-employment benefits were \$83,038, \$79,966 and \$75,911 for the years ended December 31, 2010, 2009 and 2008, respectively; 58% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The number of participants eligible to receive health care benefits as of December 31, 2009 was 14,797 for Police and 10,915 for Firefighters. The plan's total health care expenses for the year ended December 31, 2009 were \$168,744,032, which was net of member contributions of \$59,148,831.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

9. LONG-TERM OBLIGATIONS

A. During 2010, the following changes occurred in the governmental activities long-term obligations:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due within One Year
<i>Governmental-type Activities:</i>					
Compensated Absences	\$196,749	\$191,999	\$(196,749)	\$191,999	\$95,360
Total	<u>\$196,749</u>	<u>\$191,999</u>	<u>\$(196,749)</u>	<u>\$191,999</u>	<u>\$95,360</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.

B. During 2010, the following changes occurred in the business-type activities long-term obligations:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due within One Year
<i>Business-type Activities:</i>					
<u>Revenue bonds</u>					
Waterworks system					
1982 5.00%	\$802,000	\$ 0	\$(50,000)	\$752,000	\$53,000
<u>Ohio Public Works Commission loan</u>					
Elevated water storage tank					
1995 0.00%	162,500	0	(25,000)	137,500	25,000
Water treatment plant improvements					
2010 0.00%	0	396,382	0	396,382	0
Compensated Absences	75,210	49,811	(75,210)	49,811	36,082
Total	<u>\$1,039,710</u>	<u>\$446,193</u>	<u>\$(150,210)</u>	<u>\$1,335,693</u>	<u>\$114,082</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1,540,000 in Series 1982 water revenue bonds. Proceeds of the water revenue bonds were used for infrastructure improvements. The Series 1982 water revenue bonds are payable solely from water customer net revenues and are payable through 2021. Annual principal and interest payments are expected to require less than 19.34% of net revenues. The total principal and interest remaining to be paid on the Series 1982 water revenue bonds is \$995,950.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2010

During 2009, the City began a construction project at the water treatment plant that was financed through a grant and a zero percent loan from the Ohio Public Works Commission. The City began drawing on the loan during fiscal year 2010. However, the project was not completed and the full amount of the loan had not been determined at year end. Therefore, the future debt payments have not yet been determined and are not included in the table below. Debt repayments are expected to be made from the Water fund.

- C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2010, follows:

Year Ending December 31,	Revenue Bonds		OPWC Loan	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	64,000	26,200	25,000	0
2016-2020	373,000	79,450	12,500	0
2021-2025	<u>87,000</u>	<u>4,350</u>	<u>0</u>	<u>0</u>
	<u>\$752,000</u>	<u>\$243,950</u>	<u>\$137,500</u>	<u>\$ 0</u>

D. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the 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, 2010, the City's total debt margin was \$18,562,842 and the unvoted debt margin was \$9,723,393.

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, 2010.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010, were approximately \$601,236.

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, 2010

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 554,750	\$ 588,033	\$ 588,035	\$ 2
Intergovernmental revenues	363,471	308,078	311,615	3,537
Charges for services	31,000	31,000	31,977	977
Fines, licenses, and permits	127,000	127,000	144,575	17,575
Interest earned	23,000	23,000	8,833	(14,167)
Miscellaneous and reimbursements	5,000	5,000	4,559	(441)
Total revenues	<u>1,104,221</u>	<u>1,082,111</u>	<u>1,089,594</u>	<u>7,483</u>
Expenditures:				
Current:				
General government	466,212	475,962	431,885	44,077
Public safety	15,060	15,060	14,491	569
Community environment	91,938	89,938	80,025	9,913
Recreation	24,641	22,916	15,251	7,665
Total expenditures	<u>597,851</u>	<u>603,876</u>	<u>541,652</u>	<u>62,224</u>
Excess (deficiency) of revenues over expenditures	506,370	478,235	547,942	69,707
Other financing sources (uses):				
Transfers (out)	<u>(650,000)</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(650,000)</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(143,630)	(171,765)	(102,058)	69,707
Fund balance at beginning of year	904,475	904,475	904,475	-
Prior year encumbrances appropriated	<u>27,578</u>	<u>27,578</u>	<u>27,578</u>	<u>-</u>
Fund balance at end of year	<u>\$ 788,423</u>	<u>\$ 760,288</u>	<u>\$ 829,995</u>	<u>\$ 69,707</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, 2010

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 293,000	\$ 293,000	\$ 297,977	\$ 4,977
Miscellaneous and reimbursements	<u>2,500</u>	<u>2,500</u>	<u>10,073</u>	<u>7,573</u>
Total revenues	295,500	295,500	308,050	12,550
Expenditures:				
Current:				
Transportation	<u>282,945</u>	<u>294,945</u>	<u>283,994</u>	<u>10,951</u>
Total expenditures	<u>282,945</u>	<u>294,945</u>	<u>283,994</u>	<u>10,951</u>
Excess (deficiency) of revenues over expenditures	12,555	555	24,056	23,501
Fund balance at beginning of year	89,245	89,245	89,245	-
Prior year encumbrances appropriated	<u>2,506</u>	<u>2,506</u>	<u>2,506</u>	<u>-</u>
Fund balance at end of year	<u>\$ 104,306</u>	<u>\$ 92,306</u>	<u>\$ 115,807</u>	<u>\$ 23,501</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, 2010

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 1,177,750	\$ 1,180,519	\$ 1,180,521	\$ 2
Intergovernmental revenues	200,847	212,103	212,609	506
Miscellaneous and reimbursements	<u>5,100</u>	<u>5,100</u>	<u>11,844</u>	<u>6,744</u>
Total revenues	1,383,697	1,397,722	1,404,974	7,252
Expenditures:				
Current:				
Public safety	<u>1,585,054</u>	<u>1,565,054</u>	<u>1,526,480</u>	<u>38,574</u>
Total expenditures	1,585,054	1,565,054	1,526,480	38,574
Excess (deficiency) of revenues over expenditures	(201,357)	(167,332)	(121,506)	45,826
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)	100,000	100,000	100,000	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(101,357)	(67,332)	(21,506)	45,826
Fund balance at beginning of year	141,619	141,619	141,619	-
Prior year encumbrances appropriated	<u>51,254</u>	<u>51,254</u>	<u>51,254</u>	<u>-</u>
Fund balance at end of year	<u>\$ 91,516</u>	<u>\$ 125,541</u>	<u>\$ 171,367</u>	<u>\$ 45,826</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, 2010

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 724,500	\$ 731,699	\$ 731,699	\$ -
Intergovernmental revenues	117,315	128,731	128,469	(262)
Charges for services	120,000	107,000	113,275	6,275
Miscellaneous and reimbursements	2,500	2,500	994	(1,506)
Total revenues	<u>964,315</u>	<u>969,930</u>	<u>974,437</u>	<u>4,507</u>
Expenditures:				
Current:				
Public safety	<u>987,951</u>	<u>971,151</u>	<u>939,697</u>	<u>31,454</u>
Total expenditures	<u>987,951</u>	<u>971,151</u>	<u>939,697</u>	<u>31,454</u>
Excess (deficiency) of revenues over expenditures	(23,636)	(1,221)	34,740	35,961
Other financing sources (uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	26,364	48,779	84,740	35,961
Fund balance at beginning of year	58,496	58,496	58,496	-
Prior year encumbrances appropriated	<u>27,441</u>	<u>27,441</u>	<u>27,441</u>	<u>-</u>
Fund balance at end of year	<u>\$ 112,301</u>	<u>\$ 134,716</u>	<u>\$ 170,677</u>	<u>\$ 35,961</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, 2010

Budgets and Budgetary Accounting

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

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

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

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

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

City of Bellbrook, Ohio

Notes to the Required Supplementary Information For the Fiscal Year Ended December 31, 2010

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	\$(116,631)	\$(18,024)	\$(97,892)	\$51,828
Net adjustment for revenue accruals	6,507	(482)	(494)	4,365
Net adjustment for expenditure accruals	8,066	42,562	76,880	28,637
Net adjustment for encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>(90)</u>
Budget basis	<u>\$(102,058)</u>	<u>\$24,056</u>	<u>\$(21,506)</u>	<u>\$84,740</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, 2010, 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



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**