

CITY OF BELLBROOK, OHIO

**BASIC
FINANCIAL STATEMENTS**

(Audited)

*FOR THE YEAR ENDED
DECEMBER 31, 2004*

DAVID HAMILTON, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Bellbrook
15 East Franklin Street
Bellbrook, Ohio 45305-5190

We have reviewed the *Independent Auditor's Report* of the City of Bellbrook, Greene County, prepared by Julian & Grube, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

September 15, 2005

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CITY OF BELLBROOK, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2	
Management’s Discussion and Analysis	3 - 16	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	17	
Statement of Activities.....	18 - 19	
Fund Financial Statements:		
Balance Sheet - Governmental Funds	20 - 21	
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	22	
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	23 - 24	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	26	
Street Fund.....	27	
Police Fund	28	
Fire Fund.....	29	
Statement of Net Assets - Proprietary Funds	30	
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	31	
Statement of Cash Flows - Proprietary Funds.....	32 - 33	
Statement of Fiduciary Net Assets - Fiduciary Fund	34	
Notes to the Basic Financial Statements	35 - 61	
Independent Accountant’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>		62 - 63

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

Telephone 614.846.1899
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Independent Auditor’s Report

Members of Council and Mayor
City of Bellbrook
15 East Franklin Street
Bellbrook, OH 45305-5190

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Greene County, (the “City”), as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As disclosed in Note 3 to the financial statements, the City has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 41, “Budgetary Comparison Schedule - Perspective Differences”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”, GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers” for the year ended December 31, 2004. In addition, capital assets have been restated due to changes in the City’s capitalization threshold and errors and omissions reported in the prior year, the removal of insurance payables, the addition of prepaids, and a change in accounting methods for the reporting of compensated absences, as disclosed in Note 3.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, street fund, police fund, and fire fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
City of Bellbrook
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

The management's discussion and analysis on pages 3 through 16 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Julian & Grube, Inc.

Julian & Grube, Inc.
August 9, 2005

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 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, 2004. 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 2004 are as follows:

- The total net assets of the City increased \$694,334. Net assets of governmental activities increased \$371,167 or 6.84% over 2003 and net assets of business-type activities increased \$323,167 or 3.48% over 2003.
- General revenues accounted for \$2,629,559 of total governmental activities revenue. Program specific revenues accounted for \$689,818 or 20.78% of total governmental activities revenue.
- The City had \$2,770,508 in expenses related to governmental activities; \$689,818 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,080,690 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$2,629,559.
- The general fund had revenues and other financing sources of \$1,099,799 in 2004. This represents an increase of \$85,201 from 2003. The expenditures and other financing uses of the general fund, which totaled \$1,153,372 in 2004, increased \$23,046 from 2003. The net decrease in fund balance for the general fund was \$53,573 or 13.57%.
- The street fund had revenues of \$304,208 in 2004. The expenditures of the street fund, totaled \$295,433 in 2004. The net increase in fund balance for the street fund was \$8,775 or 10.67%.
- The police fund had revenues of \$1,145,368 in 2004. The expenditures of the police fund, totaled \$1,044,195 in 2004. The net increase in fund balance for the police fund was \$101,173 or 84.68%.
- The fire fund had revenues of \$614,546 in 2004. The expenditures of the fire fund, totaled \$646,948 in 2004. The net decrease in fund balance for the fire fund was \$32,402 or 75.11%.
- The capital improvement fund had other financing sources of \$600,000 in 2004. The expenditures of the capital improvement fund, totaled \$277,319 in 2004. The net increase in fund balance for the capital improvement fund was \$322,681 or 63.80%.
- Net assets for the business-type activities, which are made up of the Water and Waste Collection enterprise funds, increased in 2004 by \$323,167. This increase in net assets was due primarily to adequate charges for services revenues.
- In the general fund, the actual revenues and other financing sources came in \$23,325 higher than they were in the final budget and actual expenditures and other financing uses were \$146,045 less than the amount in the final budget. Budgeted expenditures were increased \$300,000 from the original to the final budget. Budgeted revenues were increased \$72,760 from the original to the final budget.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF BELLBROOK, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

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 20-29 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and waste management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 30-33 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 34 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-61 of this report.

Government-Wide Financial Analysis

This is the City's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The table below provides a summary of the City's net assets for 2004:

	Net Assets		
	Governmental Activities	Business-type Activities	2004
	<u>2004</u>	<u>2004</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 3,801,660	\$ 1,195,562	\$ 4,997,222
Capital assets	<u>4,222,793</u>	<u>9,856,751</u>	<u>14,079,544</u>
Total assets	<u>8,024,453</u>	<u>11,052,313</u>	<u>19,076,766</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	200,141	1,348,778	1,548,919
Other liabilities	<u>2,029,334</u>	<u>92,840</u>	<u>2,122,174</u>
Total liabilities	<u>2,229,475</u>	<u>1,441,618</u>	<u>3,671,093</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	4,222,793	8,548,251	12,771,044
Restricted	1,101,546	-	1,101,546
Unrestricted	<u>470,639</u>	<u>1,062,444</u>	<u>1,533,083</u>
Total net assets	<u>\$ 5,794,978</u>	<u>\$ 9,610,695</u>	<u>\$ 15,405,673</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$15,405,673. At year-end, net assets were \$5,794,978 and \$9,610,695 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 73.80% of total assets. Capital assets include land, 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, 2004, were \$4,222,793 and \$8,548,251 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$1,101,546, 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 \$470,639 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2004.

	Change in Net Assets		
	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	2004 <u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 276,869	\$ 1,843,785	\$ 2,120,654
Operating grants and contributions	<u>412,949</u>	<u>4,476</u>	<u>417,425</u>
Total program revenues	<u>689,818</u>	<u>1,848,261</u>	<u>2,538,079</u>
General revenues:			
Property taxes	1,923,705	-	1,923,705
Unrestricted grants and entitlements	531,185	-	531,185
Investment earnings	26,340	-	26,340
Gain on sale of capital assets	7,865	-	7,865
Miscellaneous	<u>140,464</u>	<u>9,708</u>	<u>150,172</u>
Total general revenues	<u>2,629,559</u>	<u>9,708</u>	<u>2,639,267</u>
Total revenues	<u>3,319,377</u>	<u>1,857,969</u>	<u>5,177,346</u>
Expenses:			
General government	409,718	-	409,718
Security of persons and property	1,921,783	-	1,921,783
Public health and welfare	559	-	559
Transportation	396,883	-	396,883
Community environment	29,893	-	29,893
Leisure time activity	11,672	-	11,672
Water	-	1,399,403	1,399,403
Waste collection	<u>-</u>	<u>313,101</u>	<u>313,101</u>
Total expenses	<u>2,770,508</u>	<u>1,712,504</u>	<u>4,483,012</u>
Transfers	<u>(177,702)</u>	<u>177,702</u>	<u>-</u>
Change in net assets	371,167	323,167	694,334
Net assets at beginning of year (restated)	<u>5,423,811</u>	<u>9,287,528</u>	<u>14,711,339</u>
Net assets at end of year	<u>\$ 5,794,978</u>	<u>\$ 9,610,695</u>	<u>\$ 15,405,673</u>

Governmental Activities

Governmental activities net assets increased \$371,167 in 2004. This increase is a result of decreasing expenses and increasing revenues versus amounts reported in the prior year.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

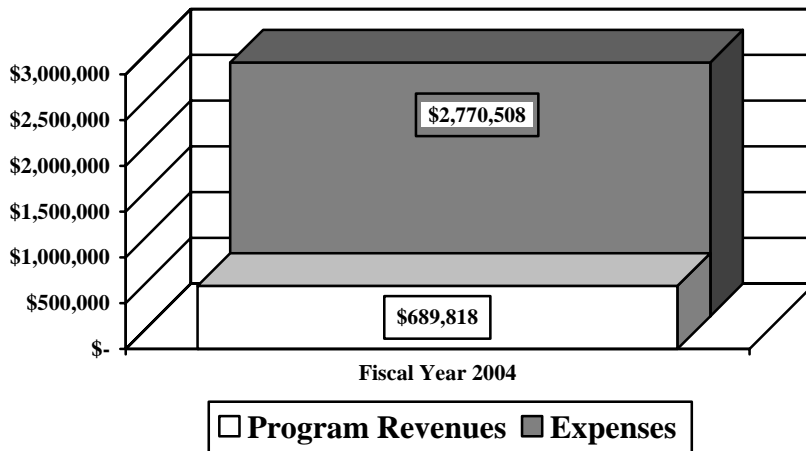
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$1,921,783 or 69.37% of the total expenses of the City. Security of persons and property expenses were partially funded by \$136,143 in direct charges to users of the services. General government expenses totaled \$409,718. General government expenses were partially funded by \$60,217 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$412,949 in operating grants and contributions. These revenues are restricted to a particular program or purpose. \$370,119 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$2,629,559, and amounted to 79.22% of total governmental revenues. These revenues primarily consist of property tax revenue of \$1,923,705. 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 \$531,185.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses for 2004. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF BELLBROOK, OHIO

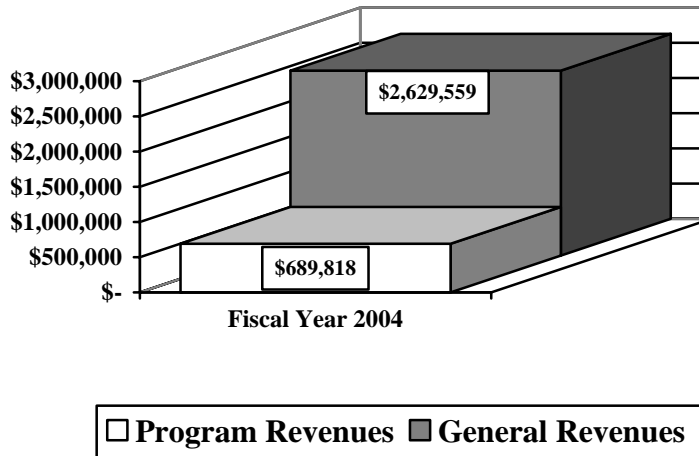
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program Expenses:		
General government	\$ 409,718	\$ 320,088
Security of persons and property	1,921,783	1,772,223
Public health and welfare	559	559
Transportation	396,883	7,685
Community environment	29,893	(31,537)
Leisure time activity	<u>11,672</u>	<u>11,672</u>
 Total	 <u>\$ 2,770,508</u>	 <u>\$ 2,080,690</u>

The dependence upon general revenues for governmental activities is apparent, with 75.10% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2004.

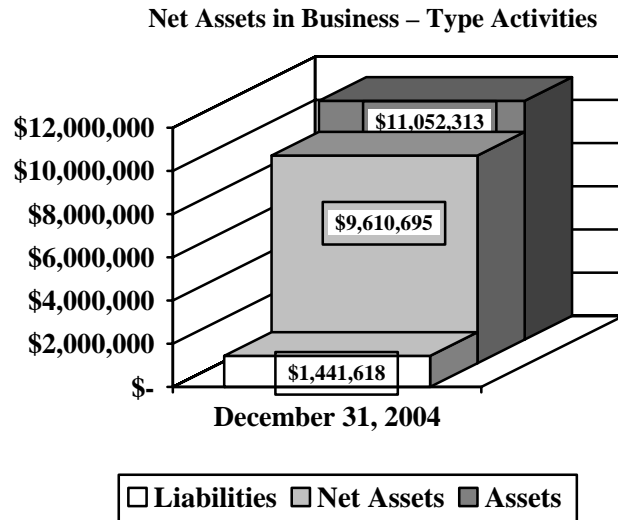
Governmental Activities – General and Program Revenues



CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$1,776,559, general revenues of \$9,708, transfers in of \$177,702 and expenses of \$1,712,504 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$1,266,631 which is \$338,196 above last year's total of \$928,435 (as restated). The December 31, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and non-major governmental funds.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

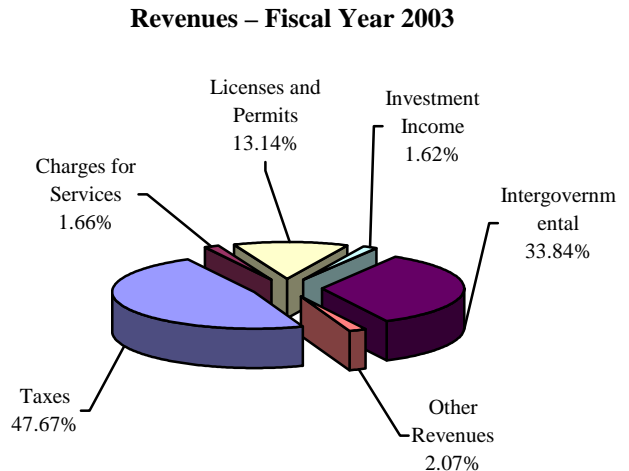
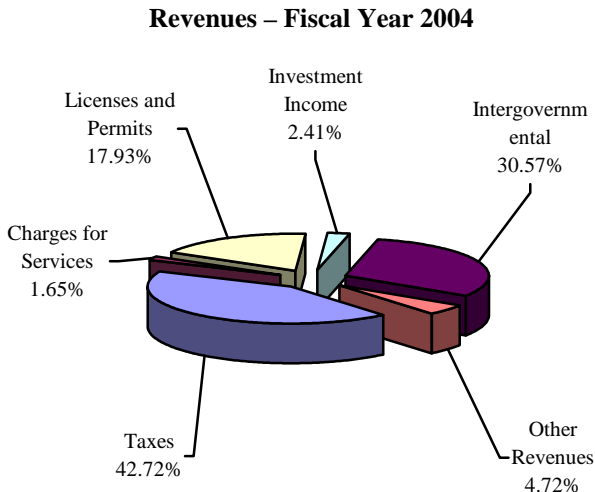
	<u>Fund Balances</u> 12/31/04	<u>Fund Balances</u> 12/31/03	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 341,136	\$ 394,709	\$ (53,573)
Street	90,801	82,026	8,775
Police	(18,297)	(119,470)	101,173
Fire	10,740	43,142	(32,402)
Capital improvement	828,441	505,760	322,681
Other nonmajor governmental funds	13,810	22,268	(8,458)
Total	<u>\$ 1,266,631</u>	<u>\$ 928,435</u>	<u>\$ 338,196</u>

General Fund

The City's general fund balance decreased \$53,573. The table that follows assists in illustrating the revenues of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 466,523	\$ 483,252	(3.46) %
Charges for services	17,982	16,855	6.69 %
Licenses and permits	195,765	133,187	46.99 %
Investment income	26,296	16,411	60.23 %
Intergovernmental	333,798	342,997	(2.68) %
Other	51,570	20,967	145.96 %
Total	<u>\$ 1,091,934</u>	<u>\$ 1,013,669</u>	7.72 %

Tax revenue represents 42.72% of all general fund revenue. Tax revenue decreased 3.46% over prior year. The increase in licenses and permits revenue is due to an increase in the collections of licenses and permits. The increase in investment income is due to the amount of funds in the City's investment portfolio throughout the year.

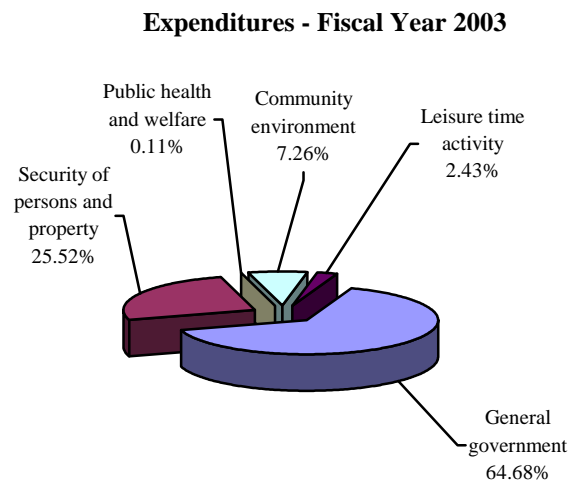
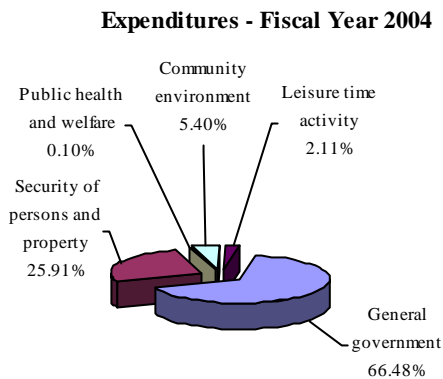


CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 367,671	\$ 342,836	7.24
Security of persons and property	143,391	135,302	5.98
Public health and welfare	559	609	(8.21)
Community environment	29,864	38,491	(22.41)
Leisure time activity	<u>11,651</u>	<u>12,908</u>	(9.74)
Total	<u>\$ 553,136</u>	<u>\$ 530,146</u>	4.34

The City increased total expenditures by 4.37%. The largest expenditure line item, general government, increased slightly, which is primarily attributed to wage and benefit increases.



Budgeting Highlights

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

Budgetary information is presented for the general fund, street fund, police fund and fire fund. In the general fund, the actual revenues and other financing sources came in \$23,325 higher than they were in the final budget and actual expenditures and other financing uses were \$146,045 less than the amount in the final budget. Budgeted expenditures were increased \$300,000 from the original to the final budget. Budgeted revenues were increased \$72,760 from the original to the final budget.

CITY OF BELLBROOK, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Street Fund

The street fund had revenues of \$304,208 in 2004. The expenditures of the street fund, totaled \$295,433 in 2004. The net increase in fund balance for the street fund was \$8,775 or 10.69%.

Police Fund

The police fund had revenues of \$1,145,368 in 2004. The expenditures of the police fund, totaled \$1,044,195 in 2004. The net increase in fund balance for the police fund was \$101,173 or 84.68%.

Fire Fund

The fire fund had revenues of \$614,546 in 2004. The expenditures of the fire fund, totaled \$646,948 in 2004. The net decrease in fund balance for the fire fund was \$32,402 or 75.11%.

Capital Improvement Fund

The capital improvement fund had other financing sources of \$600,000 in 2004. The expenditures of the capital improvement fund, totaled \$277,319 in 2004. The net increase in fund balance for the capital improvement fund was \$322,681 or 63.80%.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the City had \$14,079,544 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$4,222,793 was reported in governmental activities and \$9,856,751 was reported in business-type activities. See Note 8 for further description of capital assets. The following table shows fiscal 2004 balances compared to 2003:

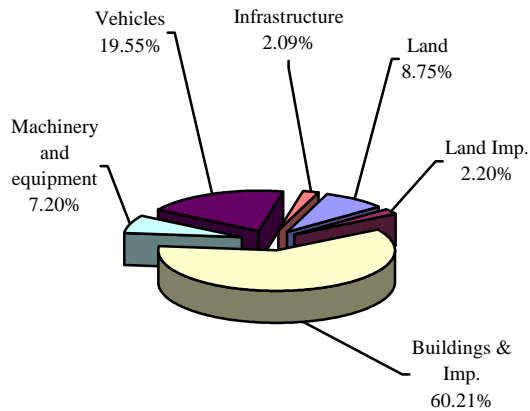
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 369,451	\$ 369,451	\$ 381,489	\$ 381,489	\$ 750,940	\$ 750,940
Land improvements	92,724	104,184	14,043	15,541	106,767	119,725
Buildings and improvements	2,542,683	2,603,610	1,411,073	1,455,789	3,953,756	4,059,399
Machinery and equipment	303,958	298,498	160,678	38,279	464,636	336,777
Vehicles	825,568	830,516	39,874	47,906	865,442	878,422
Infrastructure	88,409	-	-	-	88,409	-
Utility structures in service	-	-	7,849,594	7,846,685	7,849,594	7,846,685
Totals	<u>\$ 4,222,793</u>	<u>\$ 4,206,259</u>	<u>\$ 9,856,751</u>	<u>\$ 9,785,689</u>	<u>\$ 14,079,544</u>	<u>\$ 13,991,948</u>

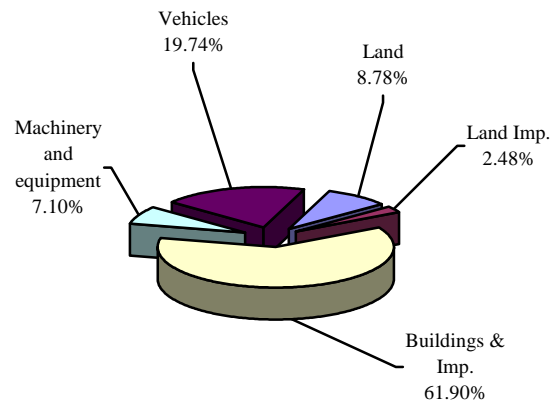
CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

Capital Assets - Governmental Activities 2004



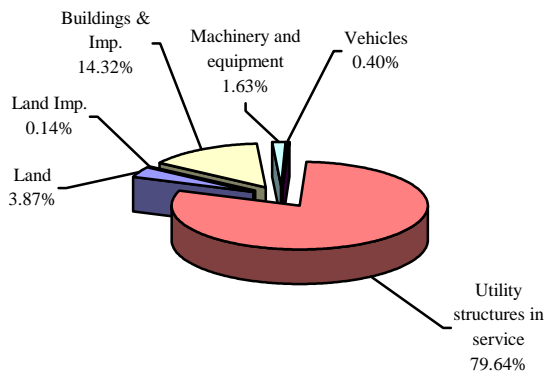
Capital Assets - Governmental Activities 2003



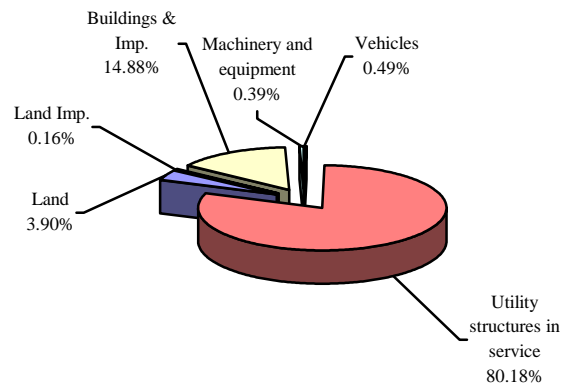
This is the City's first year of reporting infrastructure, and it is already the fifth largest capital asset category. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 2.09% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

Capital Assets - Business-Type Activities 2004



Capital Assets - Business-Type Activities 2003



The City's largest business-type capital asset category is utility structures in service which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility structures in service (cost less accumulated depreciation) represents approximately 79.64% of the City's total business-type capital assets.

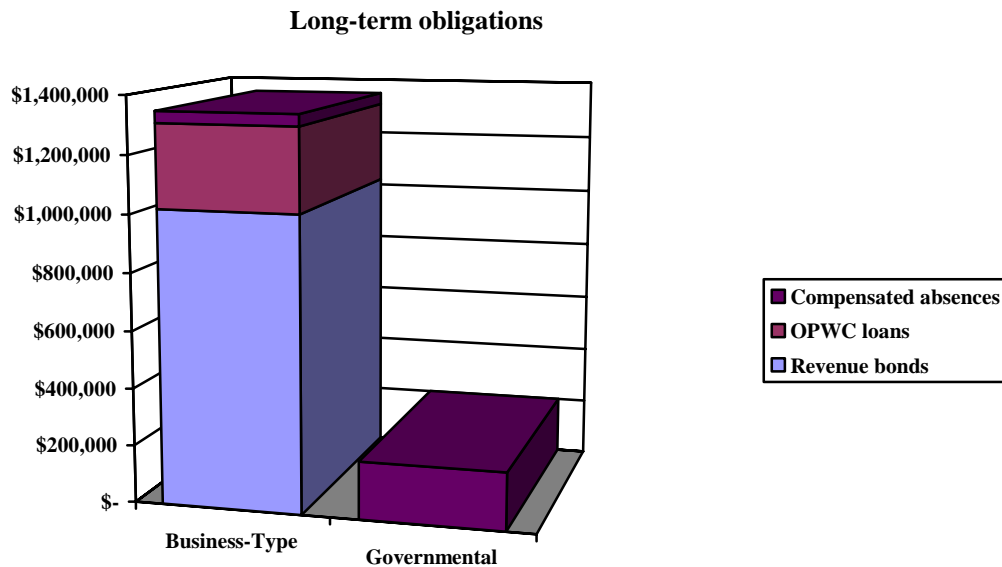
CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Compensated absences	\$ 200,141	\$ 174,963
Total long-term obligations	<u>\$ 200,141</u>	<u>\$ 174,963</u>
	Business-type Activities	
	<u>2004</u>	<u>2003</u>
Revenue bonds	\$1,021,000	\$1,059,000
OPWC loans	287,500	312,500
Compensated absences	<u>40,278</u>	<u>36,110</u>
Total long-term obligations	<u>\$1,348,778</u>	<u>\$1,407,610</u>

A comparison of the long-term obligations by category is depicted in the chart below.



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

CITY OF BELLBROOK, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Economic Conditions and Outlook

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

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

In 2004, there were 4 active housing developments underway including our first upscale condominium project containing 44 units which are now selling for over \$200,000 apiece. The single family houses are all selling for at least \$350,000 and some around \$750,000.

Police and Fire Department operations are funded by their own property tax levies with major capital costs paid from the Capital Improvement Fund. Service Department costs are funded by the Water and Street Funds with some capital construction costs such as street reconstruction paid from the Capital Improvement Fund.

The City's cash balances in the General Fund and the Capital Improvement Fund (which is funded wholly by transfers from the General Fund) have steadily increases since 2001: \$524,374 (2001); \$598,965 (2002); \$730,908 (2003); \$1,108,718 (2004). This has resulted from careful planning as we prepare for continuing reductions in State funding and investment in our infrastructure, especially neighborhood streets.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,169,772	\$ 729,367	\$ 1,899,139
Cash and cash equivalents with fiscal agents	19,132	-	19,132
Receivables (net of allowances for uncollectibles):			
Real and other taxes	1,935,084	-	1,935,084
Accounts	84,646	372,090	456,736
Due from other governments	547,258	-	547,258
Prepayments	21,309	22,334	43,643
Materials and supplies inventory.	24,459	71,771	96,230
Capital assets:			
Land	369,451	381,489	750,940
Depreciable capital assets, net	3,853,342	9,475,262	13,328,604
Total capital assets, net	<u>4,222,793</u>	<u>9,856,751</u>	<u>14,079,544</u>
 Total assets.	 <u>8,024,453</u>	 <u>11,052,313</u>	 <u>19,076,766</u>
Liabilities:			
Accounts payable.	15,249	30,778	46,027
Accrued wages and benefits	87,864	25,171	113,035
Due to other governments	57,846	2,858	60,704
Deferred revenue.	1,868,375	-	1,868,375
Accrued interest payable.	-	34,033	34,033
Long-term liabilities:			
Due within one year	122,806	83,162	205,968
Due in more than one year	77,335	1,265,616	1,342,951
 Total liabilities	 <u>2,229,475</u>	 <u>1,441,618</u>	 <u>3,671,093</u>
Net assets:			
Invested in capital assets, net of related debt	4,222,793	8,548,251	12,771,044
Restricted for:			
Capital improvement.	828,649	-	828,649
Street	153,224	-	153,224
Police	13,549	-	13,549
Fire	2,906	-	2,906
Other purposes.	103,218	-	103,218
Unrestricted	470,639	1,062,444	1,533,083
 Total net assets.	 <u>\$ 5,794,978</u>	 <u>\$ 9,610,695</u>	 <u>\$ 15,405,673</u>

SEE ACCOMPANYING NTOES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
General government	\$ 409,718	\$ 60,217	\$ 29,413
Security of persons and property.	1,921,783	136,143	13,417
Public health and welfare	559	-	-
Transportation	396,883	19,079	370,119
Community environment	29,893	61,430	-
Leisure time activity.	11,672	-	-
Total governmental activities	<u>2,770,508</u>	<u>276,869</u>	<u>412,949</u>
Business-type Activities:			
Water	1,399,403	1,517,639	4,476
Waste collection	313,101	326,146	-
Total business-type activities	<u>1,712,504</u>	<u>1,843,785</u>	<u>4,476</u>
Total primary government.	<u>\$ 4,483,012</u>	<u>\$ 2,120,654</u>	<u>\$ 417,425</u>

General Revenues:

Property taxes levied for:	
General purposes.	
Fire and rescue.	
Police	
Police pension	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
 Total general revenues.	
 Transfers.	
 Change in net assets.	
 Net assets at beginning of year	
 Net assets at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (320,088)	\$ -	\$ (320,088)
(1,772,223)	-	(1,772,223)
(559)	-	(559)
(7,685)	-	(7,685)
31,537	-	31,537
(11,672)	-	(11,672)
<u>(2,080,690)</u>	<u>-</u>	<u>(2,080,690)</u>
-	122,712	122,712
-	13,045	13,045
-	135,757	135,757
<u>(2,080,690)</u>	<u>135,757</u>	<u>(1,944,933)</u>
468,255	-	468,255
418,205	-	418,205
1,000,197	-	1,000,197
37,048	-	37,048
531,185	-	531,185
26,340	-	26,340
148,329	9,708	158,037
2,629,559	9,708	2,639,267
<u>(177,702)</u>	<u>177,702</u>	<u>-</u>
371,167	323,167	694,334
<u>5,423,811</u>	<u>9,287,528</u>	<u>14,711,339</u>
<u>\$ 5,794,978</u>	<u>\$ 9,610,695</u>	<u>\$ 15,405,673</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Street</u>	<u>Police</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 277,775	\$ 13,807	\$ 20,894
Receivables (net of allowance for uncollectibles):			
Real and other taxes.	481,029	-	999,537
Accounts	28,428	-	-
Due from other governments	212,130	117,880	135,000
Prepayments.	3,567	1,393	10,842
Materials and supplies inventory	-	17,417	5,634
Restricted assets:			
Cash and cash equivalents with fiscal agent	-	19,132	-
Total assets	<u>\$ 1,002,929</u>	<u>\$ 169,629</u>	<u>\$ 1,171,907</u>
Liabilities:			
Accounts payable	\$ 6,173	\$ -	\$ 2,955
Accrued wages and benefits.	11,026	7,412	49,430
Due to other governments.	34,657	636	3,282
Deferred revenue	609,937	70,780	1,134,537
Total liabilities	<u>661,793</u>	<u>78,828</u>	<u>1,190,204</u>
Fund Balances:			
Reserved for encumbrances.	66,730	-	61
Reserved for prepayments	3,567	1,393	10,842
Reserved for materials and supplies inventory	-	17,417	5,634
Reserved for restricted assets.	-	19,132	-
Unreserved, undesignated (deficit), reported in:			
General fund.	270,839	-	-
Special revenue funds.	-	52,859	(34,834)
Capital projects funds.	-	-	-
Total fund balances (deficit).	<u>341,136</u>	<u>90,801</u>	<u>(18,297)</u>
Total liabilities and fund balances.	<u>\$ 1,002,929</u>	<u>\$ 169,629</u>	<u>\$ 1,171,907</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Fire</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 19,894	\$ 830,941	\$ 6,461	\$ 1,169,772
418,246	-	36,272	1,935,084
56,218	-	-	84,646
63,943	-	18,305	547,258
5,507	-	-	21,309
1,408	-	-	24,459
-	-	-	19,132
<u>\$ 565,216</u>	<u>\$ 830,941</u>	<u>\$ 61,038</u>	<u>\$ 3,801,660</u>
\$ 3,403	\$ 2,500	\$ 218	\$ 15,249
19,996	-	-	87,864
19,271	-	-	57,846
511,806	-	47,010	2,374,070
<u>554,476</u>	<u>2,500</u>	<u>47,228</u>	<u>2,535,029</u>
-	71,092	-	137,883
5,507	-	-	21,309
1,408	-	-	24,459
-	-	-	19,132
-	-	-	270,839
3,825	-	13,810	35,660
-	757,349	-	757,349
<u>10,740</u>	<u>828,441</u>	<u>13,810</u>	<u>1,266,631</u>
<u>\$ 565,216</u>	<u>\$ 830,941</u>	<u>\$ 61,038</u>	<u>\$ 3,801,660</u>

CITY OF BELLBROOK, OHIO

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Total governmental fund balances		\$	1,266,631
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,222,793
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	102,981	
Charges for services		37,310	
Intergovernmental revenues		<u>365,404</u>	
Total			505,695
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Compensated absences			<u>(200,141)</u>
Net assets of governmental activities		\$	<u><u>5,794,978</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Street</u>	<u>Police</u>
Revenues:			
Property and other taxes	\$ 466,523	\$ -	\$ 996,784
Charges for services	17,982	-	-
Licenses and permits	195,765	-	-
Intergovernmental	333,798	301,856	146,288
Special assessments	-	-	-
Investment income	26,296	-	-
Refunds and reimbursements	41,478	-	-
Other	10,092	2,352	2,296
Total revenues	<u>1,091,934</u>	<u>304,208</u>	<u>1,145,368</u>
Expenditures:			
Current:			
General government	367,671	-	-
Security of persons and property	143,391	-	1,044,195
Public health and welfare	559	-	-
Transportation	-	295,433	-
Community environment	29,864	-	-
Leisure time activity	11,651	-	-
Capital outlay	-	-	-
Total expenditures	<u>553,136</u>	<u>295,433</u>	<u>1,044,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>538,798</u>	<u>8,775</u>	<u>101,173</u>
Other financing sources (uses):			
Sale of capital assets	7,865	-	-
Transfers in	-	-	-
Transfers out	<u>(600,236)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(592,371)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(53,573)	8,775	101,173
Fund balances (deficit)			
at beginning of year (restated)	<u>394,709</u>	<u>82,026</u>	<u>(119,470)</u>
Fund balances (deficit) at end of year	<u>\$ 341,136</u>	<u>\$ 90,801</u>	<u>\$ (18,297)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Fire	Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 416,784	\$ -	\$ 36,910	\$ 1,917,001
109,929	-	617	128,528
-	-	38,159	233,924
84,588	-	45,672	912,202
-	-	210	210
-	-	44	26,340
-	-	-	41,478
3,245	-	94	18,079
<u>614,546</u>	<u>-</u>	<u>121,706</u>	<u>3,277,762</u>
-	-	1,191	368,862
646,948	-	42,283	1,876,817
-	-	-	559
-	-	86,905	382,338
-	-	-	29,864
-	-	21	11,672
-	277,319	-	277,319
<u>646,948</u>	<u>277,319</u>	<u>130,400</u>	<u>2,947,431</u>
<u>(32,402)</u>	<u>(277,319)</u>	<u>(8,694)</u>	<u>330,331</u>
-	-	-	7,865
-	600,000	236	600,236
-	-	-	(600,236)
<u>-</u>	<u>600,000</u>	<u>236</u>	<u>7,865</u>
(32,402)	322,681	(8,458)	338,196
43,142	505,760	22,268	928,435
<u>\$ 10,740</u>	<u>\$ 828,441</u>	<u>\$ 13,810</u>	<u>\$ 1,266,631</u>

CITY OF BELLBROOK, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds	\$	338,196
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$265,029) exceeded depreciation expense (\$218,127) in the current period.		46,902
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(30,368)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		41,615
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(25,178)
		<hr style="width: 100%;"/>
Change in net assets of governmental activities	\$	<u><u>371,167</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 486,336	\$ 474,260	\$ 475,319	\$ 1,059
Charges for services	16,613	16,200	18,167	1,967
Licenses and permits	184,583	180,000	193,241	13,241
Intergovernmental	347,843	339,206	320,444	(18,762)
Investment income	25,637	25,000	26,296	1,296
Refunds and reimbursements	28,867	28,150	41,478	13,328
Other	7,024	6,850	10,092	3,242
Total revenues.	<u>1,096,903</u>	<u>1,069,666</u>	<u>1,085,037</u>	<u>15,371</u>
Expenditures:				
Current:				
General government	497,446	467,446	386,495	80,951
Security of persons and property	274,413	209,413	184,506	24,907
Public health and welfare.	5,000	5,000	559	4,441
Transportation	5,000	5,000	-	5,000
Community environment	46,908	46,908	29,523	17,385
Leisure time activity	29,541	24,541	11,944	12,597
Total expenditures	<u>858,308</u>	<u>758,308</u>	<u>613,027</u>	<u>145,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>238,595</u>	<u>311,358</u>	<u>472,010</u>	<u>160,652</u>
Other financing sources (uses):				
Sale of capital assets	-	-	7,865	7,865
Transfers in	103	100	189	89
Transfers out	(201,000)	(601,000)	(600,236)	764
Advances in.	-	100,000	100,000	-
Total other financing sources (uses)	<u>(200,897)</u>	<u>(500,900)</u>	<u>(492,182)</u>	<u>8,718</u>
Net change in fund balance	37,698	(189,542)	(20,172)	169,370
Fund balance at beginning of year	164,540	164,540	164,540	-
Prior year encumbrances appropriated	<u>60,608</u>	<u>60,608</u>	<u>60,608</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 262,846</u>	<u>\$ 35,606</u>	<u>\$ 204,976</u>	<u>\$ 169,370</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 265,000	\$ 291,000	\$ 292,944	\$ 1,944
Other	-	-	2,352	2,352
Total revenues.	<u>\$ 265,000</u>	<u>\$ 291,000</u>	<u>\$ 295,296</u>	<u>\$ 4,296</u>
Expenditures:				
Current:				
Transportation	<u>270,000</u>	<u>300,000</u>	<u>291,446</u>	<u>8,554</u>
Total expenditures	<u>270,000</u>	<u>300,000</u>	<u>291,446</u>	<u>8,554</u>
Net change in fund balance	(5,000)	(9,000)	3,850	12,850
Fund balance at beginning of year	<u>9,957</u>	<u>9,957</u>	<u>9,957</u>	<u>-</u>
Fund balance at end of year.	<u><u>\$ 4,957</u></u>	<u><u>\$ 957</u></u>	<u><u>\$ 13,807</u></u>	<u><u>\$ 12,850</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 1,008,419	\$ 1,000,000	\$ 996,784	\$ (3,216)
Intergovernmental	144,073	142,870	146,852	3,982
Other	1,008	1,000	2,348	1,348
Total revenues.	<u>1,153,500</u>	<u>1,143,870</u>	<u>1,145,984</u>	<u>2,114</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,058,000</u>	<u>1,053,000</u>	<u>1,037,211</u>	<u>15,789</u>
Total expenditures	<u>1,058,000</u>	<u>1,053,000</u>	<u>1,037,211</u>	<u>15,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,500</u>	<u>90,870</u>	<u>108,773</u>	<u>17,903</u>
Other financing sources (uses):				
Advances out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(4,500)	(9,130)	8,773	17,903
Fund balance at beginning of year	<u>9,179</u>	<u>9,179</u>	<u>9,179</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 4,679</u>	<u>\$ 49</u>	<u>\$ 17,952</u>	<u>\$ 17,903</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 417,098	\$ 418,000	\$ 416,784	\$ (1,216)
Charges for services	109,763	110,000	107,525	(2,475)
Intergovernmental	64,171	64,310	80,192	15,882
Other	14,968	15,000	4,161	(10,839)
Total revenues.	<u>606,000</u>	<u>607,310</u>	<u>608,662</u>	<u>1,352</u>
Expenditures:				
Current:				
Security of persons and property	<u>659,304</u>	<u>659,304</u>	<u>646,938</u>	<u>12,366</u>
Total expenditures	<u>659,304</u>	<u>659,304</u>	<u>646,938</u>	<u>12,366</u>
Net change in fund balance	(53,304)	(51,994)	(38,276)	13,718
Fund balance at beginning of year	35,697	35,697	35,697	-
Prior year encumbrances appropriated	<u>19,304</u>	<u>19,304</u>	<u>19,304</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,697</u>	<u>\$ 3,007</u>	<u>\$ 16,725</u>	<u>\$ 13,718</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	Business-type Activities -Enterprise Funds		
	Water	Waste Collection	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 693,956	\$ 35,411	\$ 729,367
Receivables (net of allowance for uncollectibles):			
Accounts	367,432	4,658	372,090
Prepayments.	22,334	-	22,334
Materials and supplies inventory	71,771	-	71,771
Total current assets.	<u>1,155,493</u>	<u>40,069</u>	<u>1,195,562</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	381,489	-	381,489
Depreciable capital assets, net	9,345,919	129,343	9,475,262
Total capital assets	<u>9,727,408</u>	<u>129,343</u>	<u>9,856,751</u>
Total assets	<u>10,882,901</u>	<u>169,412</u>	<u>11,052,313</u>
Liabilities:			
Current liabilities:			
Accounts payable.	8,121	22,657	30,778
Accrued wages and benefits	25,171	-	25,171
Compensated absences	18,162	-	18,162
Due to other governments	2,858	-	2,858
Current portion of OPWC loans.	25,000	-	25,000
Current portion of revenue bonds	40,000	-	40,000
Accrued interest payable.	34,033	-	34,033
Total current liabilities	<u>153,345</u>	<u>22,657</u>	<u>176,002</u>
Long-term liabilities:			
Revenue bonds	981,000	-	981,000
OPWC loans	262,500	-	262,500
Compensated absences	22,116	-	22,116
Total long-term liabilities	<u>1,265,616</u>	<u>-</u>	<u>1,265,616</u>
Total liabilities	<u>1,418,961</u>	<u>22,657</u>	<u>1,441,618</u>
Net assets:			
Invested in capital assets, net of related debt.	8,418,908	129,343	8,548,251
Unrestricted	1,045,032	17,412	1,062,444
Total net assets	<u>\$ 9,463,940</u>	<u>\$ 146,755</u>	<u>9,610,695</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Operating revenues:			
Charges for services	\$ 1,517,639	\$ 326,146	\$ 1,843,785
Other	8,853	855	9,708
Total operating revenues	<u>1,526,492</u>	<u>327,001</u>	<u>1,853,493</u>
Operating expenses:			
Personal services	736,286	9,670	745,956
Contract services	246,844	296,870	543,714
Materials and supplies	132,773	82	132,855
Depreciation	224,721	5,624	230,345
Other	7,096	855	7,951
Total operating expenses.	<u>1,347,720</u>	<u>313,101</u>	<u>1,660,821</u>
Operating income	<u>178,772</u>	<u>13,900</u>	<u>192,672</u>
Nonoperating revenues (expenses):			
Intergovernmental	4,476	-	4,476
Interest expense and fiscal charges	(51,683)	-	(51,683)
Total nonoperating revenues (expenses)	<u>(47,207)</u>	<u>-</u>	<u>(47,207)</u>
Income before contributions	131,565	13,900	145,465
Capital contributions	<u>72,735</u>	<u>104,967</u>	<u>177,702</u>
Changes in net assets	204,300	118,867	323,167
Net assets at beginning of year (restated).	<u>9,259,640</u>	<u>27,888</u>	<u>9,287,528</u>
Net assets at end of year.	<u>\$ 9,463,940</u>	<u>\$ 146,755</u>	<u>\$ 9,610,695</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,390,490	\$ 326,146	\$ 1,716,636
Cash received from other operations.	8,995	888	9,883
Cash payments for personal services	(725,995)	(9,670)	(735,665)
Cash payments for contract services	(248,117)	(274,213)	(522,330)
Cash payments for materials and supplies	(126,219)	(82)	(126,301)
Cash payments for other expenses.	(7,096)	(855)	(7,951)
Net cash provided by operating activities	<u>292,058</u>	<u>42,214</u>	<u>334,272</u>
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	<u>4,476</u>	<u>-</u>	<u>4,476</u>
Net cash provided by noncapital financing activities	<u>4,476</u>	<u>-</u>	<u>4,476</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(93,705)	(30,000)	(123,705)
Principal retirement on revenue bonds	(38,000)	-	(38,000)
Principal retirement on OWDA loans.	(25,000)	-	(25,000)
Interest and fiscal charges.	(52,950)	-	(52,950)
Net cash used in capital and related financing activities	<u>(209,655)</u>	<u>(30,000)</u>	<u>(239,655)</u>
Net increase in cash and cash equivalents	86,879	12,214	99,093
Cash and cash equivalents at beginning of year . . .	607,077	23,197	630,274
Cash and cash equivalents at end of year.	<u>\$ 693,956</u>	<u>\$ 35,411</u>	<u>\$ 729,367</u>

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CITY OF BELLBROOK, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water	Waste Collection	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 178,772	\$ 13,900	\$ 192,672
Adjustments:			
Depreciation	224,721	5,624	230,345
Changes in assets and liabilities:			
Decrease in materials and supplies inventory.	11,896	-	11,896
(Increase) decrease in accounts receivable	(127,007)	33	(126,974)
(Increase) in prepayments	(2,275)	-	(2,275)
Increase in accounts payable	1,149	22,657	23,806
(Decrease) in contracts payable.	(5,582)	-	(5,582)
Increase in accrued wages and benefits.	14,501	-	14,501
(Decrease) in due to other governments	(8,285)	-	(8,285)
Increase in compensated absences payable.	4,168	-	4,168
Net cash provided by operating activities	<u>\$ 292,058</u>	<u>\$ 42,214</u>	<u>\$ 334,272</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 20,501
Receivables:	
Accounts	<u>2,457</u>
Total assets.	<u>\$ 22,958</u>
Liabilities:	
Accounts payable.	\$ 2,456
Due to others.	<u>20,502</u>
Total liabilities	<u>\$ 22,958</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

B. Basis of Presentation - Fund Accounting

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

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

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

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

C. Fund Accounting

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

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

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

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

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

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

E. Basis of Accounting

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue.

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

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

F. Budgetary Data

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

TAX BUDGET

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

ESTIMATED RESOURCES

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

APPROPRIATIONS

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

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified and the fund balance at the beginning of the year. Supplemental appropriations were legally enacted by City Council in 2004.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

G. Cash and Cash Equivalents

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

During 2004, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2004, interest revenue earned and credited to the general fund during 2004 amounted to \$26,296, including \$22,393 assigned from other funds of the City.

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

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

H. Inventories of Materials and Supplies

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

I. Prepayments

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

J. Capital Assets

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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 2004, the City increased its capitalization threshold from \$1,000 to \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. The City began reporting infrastructure during 2004. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

K. Compensated Absences

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

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

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

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

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

N. Interfund Activity

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

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

O. 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.

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

P. Estimates

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

Q. Contributions of Capital

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

R. 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 adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers". At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39, 41, 46 and GASB Interpretation No. 6. There was an effect on fund balance as a result of GASB Technical Bulletin No. 2004-2.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the government not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post employment benefit (OPEB) plans.

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2003, caused by the accrual basis of accounting.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Governmental Activities - Restatement of Fund Balance – At December 31, 2003 a restatement is presented to include the intergovernmental payable previously reported in the general long-term obligations account group as a fund liability since it was due and payable at year-end. Restatements are also present to record prepaid assets not previously recorded and to remove insurance payables that were overstated in the prior year.

	<u>General</u>	<u>Street</u>	<u>Police</u>	<u>Fire</u>	<u>Capital Improvements</u>
Fund balance/(deficit)					
December 31, 2003	\$ 404,293	\$ 82,026	\$ (121,966)	\$ 52,954	\$ 505,760
Insurance payable	8,614	-	-	1,695	-
Prepaid assets	12,474	-	2,496	2,159	-
Intergovernmental payable	<u>(30,672)</u>	<u>-</u>	<u>-</u>	<u>(13,666)</u>	<u>-</u>
Restated fund balance/(deficit)					
January 1, 2004	<u>\$ 394,709</u>	<u>\$ 82,026</u>	<u>\$ (119,470)</u>	<u>\$ 43,142</u>	<u>\$ 505,760</u>

	<u>Nonmajor</u>	<u>Total</u>
Fund balance		
December 31, 2003	\$ 19,309	\$ 942,376
Insurance payable	1,469	11,778
Prepaid assets	1,490	18,619
Intergovernmental payable	<u>-</u>	<u>(44,338)</u>
Restated fund balance		
January 1, 2004	<u>\$ 22,268</u>	<u>\$ 928,435</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance	
December 31, 2003	\$ 928,435
GASB Statement No. 34 adjustments:	
Capital assets	4,206,259
Long-term liabilities	(174,963)
Long-term (deferred assets)	<u>464,080</u>
Governmental activities net assets, December 31, 2003	<u>\$ 5,423,811</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Business-type Activities - Restatement of Fund Equity – A prior period adjustment is required to restate capital assets for the change in the capitalization threshold and to correct errors and omissions in amounts previously reported. A restatement is also being presented for the change in recorded methods for compensated absences at December 31, 2003. The City has changed its method from the termination method to the vesting method. Restatements are also present to record prepaid assets not previously recorded and to remove insurance payables that were overstated in the prior year. These prior period adjustments had the following effect on fund equity as previously reported:

<u>Business-type Activities</u>	<u>Water</u>	<u>Waste Collection</u>	<u>Total Enterprise Funds</u>
Fund equity at December 31, 2003	\$ 9,765,793	\$ 27,888	\$ 9,793,681
Insurance payable	7,328	-	7,328
Prepaid assets	20,059	-	20,059
Compensated absences payable	5,350	-	5,350
Capital assets	<u>(538,890)</u>	<u>-</u>	<u>(538,890)</u>
Restated net assets at January 1, 2004	<u>\$ 9,259,640</u>	<u>\$ 27,888</u>	<u>\$ 9,287,528</u>

B. Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 2004:

<u>Major Governmental Fund</u>	<u>Deficit Fund Balance</u>
Police Fund	\$ 18,297

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the Police special revenue fund is a result of the application of GAAP, namely in the recognition of a liability for interfund loans attributable to the current year. This deficit will be eliminated by intergovernmental revenues not recognized at December 31.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, only financial institutions located in Ohio or primary securities dealers as designated by the Federal Reserve Bank of New York or securities brokers that are registered members of the National Association of Security Dealers are eligible to hold public deposits. The provisions also permit the City to invest its monies in negotiable and nonnegotiable certificates of deposit, bankers acceptances, commercial paper, money market accounts, the State Treasurer's investment pool (STAR OHIO) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository.

Public depositories must give security for all public funds on deposit. According to the City's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 110 percent of the total value of public monies on deposit at the institution. State law does not require that security for public deposits be maintained in the name of the City.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

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

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

Cash with Fiscal Agent: At year-end, the City had \$19,132 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, 2004. This amount is not included in the City's depository balance below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Deposits: At year-end, the carrying amount of the City’s deposits was \$(40,201) and the bank balance was \$1,075. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the City’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. The entire bank balance was covered by federal depository insurance.

Investments: The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book form.

	Category 2	Fair Value
Investment in STAR Ohio	\$ -	\$ 1,894,645
Repurchase agreement	65,196	65,196
Total investments	\$ 65,196	\$ 1,959,841

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 1,938,772	\$ -
Cash with fiscal agent	(19,132)	-
Investments of the cash management pool:		
Investments in STAR Ohio	(1,894,645)	1,894,645
Repurchase agreements	(65,196)	65,196
GASB Statement No. 3	\$ (40,201)	\$ 1,959,841

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Capital Improvements	\$ 600,000
Nonmajor Special Revenue	<u>236</u>
Total	<u>\$ 600,236</u>

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

NOTE 6 - PROPERTY TAXES

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

Taxpayers (other than public utilities) become liable for tangible personal property taxes on January 1st of the current calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-City taxpayers are due September 20. Single City taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law personal property taxes do not attach as a lien on the personal property.

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bellbrook. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004 was \$17.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real property tax	\$ 136,812,350
Public utility tangible personal property	3,283,780
Tangible personal property	<u>1,927,875</u>
Total assessed valuation	<u>\$ 142,024,005</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2004, as well as intended to finance fiscal 2004 operations.

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

Governmental Activities:

Real and other taxes	\$1,935,084
Accounts	84,646
Due from other governments	547,258

Business-type Activities:

Accounts	372,090
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Receivables have been disaggregated on the face of the BFS. All receivables are expected to be collected within the subsequent year.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to the change in capitalization threshold (See Note 2.J.) and the reporting of errors and omissions in the prior year in governmental activities and business-type activities.

	Balance		Restated
	<u>12/31/03</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>12/31/03</u>
<u>Governmental Activities:</u>			
Land	\$ 369,451	\$ -	\$ 369,451
Land improvements	144,168	125,037	269,205
Buildings and improvements	3,050,140	(3,788)	3,046,352
Equipment	644,197	(133,510)	510,687
Vehicles	1,563,102	44,487	1,607,589
Less: accumulated depreciation	<u>-</u>	<u>(1,597,025)</u>	<u>(1,597,025)</u>
Total	<u>\$ 5,771,058</u>	<u>\$ (1,564,799)</u>	<u>\$ 4,206,259</u>
 <u>Business-type Activities:</u>			
Land	\$ 383,096	\$ (1,607)	\$ 381,489
Land improvements	-	29,958	29,958
Buildings and improvements	2,473,477	(441,771)	2,031,706
Utility structures in service	12,212,830	-	12,212,830
Machinery and equipment	443,872	(318,426)	125,446
Vehicles	-	96,378	96,378
Less: accumulated depreciation	<u>(5,188,696)</u>	<u>96,578</u>	<u>(5,092,118)</u>
Total	<u>\$ 10,324,579</u>	<u>\$ (538,890)</u>	<u>\$ 9,785,689</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2004, was as follows:

<u>Governmental Activities:</u>	Restated Balance 12/31/03	Additions	Disposals	Balance 12/31/04
<i>Capital assets, not being depreciated:</i>				
Land	\$ 369,451	\$ -	\$ -	\$ 369,451
Total capital assets, not being depreciated	<u>369,451</u>	<u>-</u>	<u>-</u>	<u>369,451</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	269,205	-	-	269,205
Buildings and improvements	3,046,352	-	-	3,046,352
Equipment	510,687	45,965	(10,302)	546,350
Vehicles	1,607,589	129,526	(56,749)	1,680,366
Infrastructure	<u>-</u>	<u>89,538</u>	<u>-</u>	<u>89,538</u>
Total capital assets, being depreciated	<u>5,433,833</u>	<u>265,029</u>	<u>(67,051)</u>	<u>5,631,811</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(165,021)	(11,460)	-	(176,481)
Buildings and improvements	(442,742)	(60,927)	-	(503,669)
Equipment	(212,189)	(36,826)	6,623	(242,392)
Vehicles	(777,073)	(107,785)	30,060	(854,798)
Infrastructure	<u>-</u>	<u>(1,129)</u>	<u>-</u>	<u>(1,129)</u>
Total accumulated depreciation	<u>(1,597,025)</u>	<u>(218,127)</u>	<u>36,683</u>	<u>(1,778,469)</u>
Total capital assets, being depreciated, net	<u>3,836,808</u>	<u>46,902</u>	<u>(30,368)</u>	<u>3,853,342</u>
Governmental activities capital assets, net	<u>\$ 4,206,259</u>	<u>\$ 46,902</u>	<u>\$ (30,368)</u>	<u>\$ 4,222,793</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

	Restated Balance			Balance
<u>Business-type Activities:</u>	<u>12/31/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 381,489	\$ -	\$ -	\$ 381,489
Total capital assets, not being depreciated	<u>381,489</u>	<u>-</u>	<u>-</u>	<u>381,489</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	29,958	-	-	29,958
Buildings and improvements	2,031,706	-	-	2,031,706
Utility structures in service	12,212,830	192,690	(35,000)	12,370,520
Machinery and equipment	125,446	134,967	(39,495)	220,918
Vehicles	<u>96,378</u>	<u>-</u>	<u>-</u>	<u>96,378</u>
Total capital assets, being depreciated	<u>14,496,318</u>	<u>327,657</u>	<u>(74,495)</u>	<u>14,749,480</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(14,417)	(1,498)	-	(15,915)
Buildings and improvements	(575,917)	(44,716)	-	(620,633)
Utility structures in service	(4,366,145)	(163,531)	8,750	(4,520,926)
Machinery and equipment	(87,167)	(12,568)	39,495	(60,240)
Vehicles	<u>(48,472)</u>	<u>(8,032)</u>	<u>-</u>	<u>(56,504)</u>
Total accumulated depreciation	<u>(5,092,118)</u>	<u>(230,345)</u>	<u>48,245</u>	<u>(5,274,218)</u>
Total capital assets, being depreciated, net	<u>9,404,200</u>	<u>97,312</u>	<u>(26,250)</u>	<u>9,475,262</u>
Business-type activities capital assets, net	<u>\$ 9,785,689</u>	<u>\$ 97,312</u>	<u>\$ (26,250)</u>	<u>\$ 9,856,751</u>

C. Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 39,020
Security of persons and property	149,544
Transportation	<u>29,563</u>
Total depreciation expense - governmental activities	<u>\$ 218,127</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - OTHER EMPLOYEE BENEFITS

All full-time City employees earn sick leave at the rate of 4.6 hours per pay, up to a limit of 120 days. Upon qualifying to retire under the Public Employees Retirement System, an employee who has unused accumulated sick leave of 75 days or more is eligible to be paid for these days up to a maximum of 45 days. An employee resigning can be paid for up to 20 days of accumulated sick leave. Police and fire employees retiring under the Ohio Police and Fire Pension Fund may receive one day paid for every three days accumulated up a maximum of 40 days. The total obligations for sick leave accrual for the City as a whole as of December 31, 2004 was \$99,451.

All full-time City employees earn vacation at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. Employees are also provided compensation for overtime. This is accumulated and paid by the City to employees. The total obligations for vacation leave and overtime pay for the City as a whole amounted to \$140,968 at December 31, 2004.

The City provides a liability for accumulated unpaid vacation and sick leave benefits when earned by employees. Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded in the Statement of Net Assets. During 2004, the amount increased \$29,346 from a beginning year balance of \$211,073 to a year end balance of \$240,419.

NOTE 10 - LONG-TERM OBLIGATIONS

A. The balance of the City's governmental activities long-term obligations at December 31, 2003 has been restated. The compensated absences liability decreased \$1,430 from \$176,393 to \$174,963 due to the change in the recording method as described in Note 3. In addition, pension obligations of \$44,338 at December 31, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at December 1, 2004 was a decrease of \$45,768 from \$220,731 to \$174,963. During 2004, the following changes occurred in the governmental activities long-term obligations:

	Restated Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/04</u>	Amounts Due in <u>One Year</u>
<u>Governmental Activities:</u>					
Compensated absences	<u>\$174,963</u>	<u>\$129,847</u>	<u>\$ (104,669)</u>	<u>\$200,141</u>	<u>\$ 122,806</u>
Total long-term obligations, governmental activities	<u>\$174,963</u>	<u>\$129,847</u>	<u>\$ (104,669)</u>	<u>\$200,141</u>	<u>\$ 122,806</u>

Compensated absences are reported in the statement of net assets and will be paid from the fund which the employee's salaries are paid.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. The balance of the City's business-type activities long-term obligations at December 31, 2003 has been restated. The compensated absences liability decreased from \$41,460 to \$36,110 due to the change in the recording method as described in Note 3. The effect on the total business-type activities long-term obligations at January 1, 2004 was a decrease of \$5,350 from \$1,412,960 to \$1,407,610. During 2004, the following changes occurred in the business-type activities long-term obligations:

	(Restated)				Amounts
	Balance			Balance	Due in
<u>Business-type Activities:</u>	<u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/04</u>	<u>One Year</u>
<u>Revenue Bonds</u>					
1982 5.00% Waterworks system	\$ 1,059,000	\$ -	\$ (38,000)	\$ 1,021,000	\$ 40,000
<u>Ohio Public Works Commision Loan</u>					
1995 0.00% Elevated Water Storage Tank	312,500	-	(25,000)	287,500	25,000
<u>Other long-term obligations</u>					
Compensated absences	<u>36,110</u>	<u>28,238</u>	<u>(24,070)</u>	<u>40,278</u>	<u>18,162</u>
Total long-term obligations, business type activities	<u>\$ 1,407,610</u>	<u>\$ 28,238</u>	<u>\$ (87,070)</u>	<u>\$ 1,348,778</u>	<u>\$ 83,162</u>

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2004, follows:

Year Ending December 31,	Revenue Bonds			OPWC Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 40,000	\$ 51,050	\$ 91,050	\$ 25,000	\$ -	\$ 25,000
2006	41,000	49,050	90,050	25,000	-	25,000
2007	44,000	47,000	91,000	25,000	-	25,000
2008	46,000	44,800	90,800	25,000	-	25,000
2009	48,000	42,500	90,500	25,000	-	25,000
2010 - 2014	278,000	174,050	452,050	125,000	-	125,000
2015 - 2019	355,000	97,200	452,200	37,500	-	37,500
2020 - 2021	169,000	12,800	181,800	-	-	-
	<u>\$ 1,021,000</u>	<u>\$ 518,450</u>	<u>\$ 1,539,450</u>	<u>\$ 287,500</u>	<u>\$ -</u>	<u>\$ 287,500</u>

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. 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, 2004, the City's total debt margin was \$14,625,021 and the unvoted debt margin was \$7,523,820.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 2004, the City joined the Miami Valley Risk Management Association (MVRMA), a public entity risk plan formed under 2744.081 of the Ohio Revised Code that operates as a joint self-insurance pool for 20 member cities. The City pays an annual premium to MVRMA for its general insurance coverage. The agreement for formation of MVRMA provides that the organization will be self-sustaining through member premiums and will reinsure through commercial insurance and reinsurance companies. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property Insurance	\$100,000,000	\$2,500
General Liability	\$7,000,000	\$2,500
Police Liability	\$7,000,000	\$2,500
Wrongful Acts	\$7,000,000	\$2,500
Crime	\$1,000,000	\$2,500
Inland Marine	\$100,000,000	\$2,500
Fire Vehicle	\$100,000,000	\$2,500
Automobile	\$100,000,000	\$2,500
Electronic Data and Equipment	\$100,000,000	\$2,500
Bond	\$1,000,000	\$2,500

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

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

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2004 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 9.55% was the portion used to fund pension obligations for 2004. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 4.00% was the portion used to fund pension obligations for 2004. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$150,399, \$128,844, and \$119,177, respectively; 91.22% has been contributed for 2004 and 100% for 2003 and 2002. \$13,200, representing the unpaid contribution for 2004, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 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 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2004, 2003, and 2002 were \$191,001, \$180,178, and \$155,700, respectively; 82.31% has been contributed for 2004 and 100% for the years 2003 and 2002. \$33,796, representing the unpaid contributions for 2004, is recorded as a liability within the respective funds.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2004 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$44,398.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2003 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively, at December 31, 2003 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2003 (the latest information available) was 369,885.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2004, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post employment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), is 13,662 for police officers and 10,474 for firefighters. The amount of employer contributions used to pay post employment benefits for police officers and firefighters were \$51,656 and \$19,707, respectively. OP&F's total health care expense for the year ending December 31, 2003 (the latest information available), was \$150.853 million, which was net of member contributions of \$17.208 million.

CITY OF BELLBROOK, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	General	Street	Police	Fire
Budget basis	\$ (20,172)	\$ 3,850	\$ 8,773	\$(38,276)
Net adjustment for revenue accruals	6,897	8,912	(616)	5,884
Net adjustment for expenditure accruals	(12,908)	(3,987)	(9,926)	(3,179)
Net adjustment for other sources/uses	(100,189)		100,000	-
Adjustment for encumbrances	<u>72,799</u>	<u>-</u>	<u>2,942</u>	<u>3,169</u>
GAAP basis	<u>\$ (53,573)</u>	<u>\$ 8,775</u>	<u>\$101,173</u>	<u>\$(32,402)</u>

CITY OF BELLBROOK, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 15 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2004.

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.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Accountant’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of Council and Mayor
City of Bellbrook
15 East Franklin Street
Bellbrook, OH 45305-5190

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City of Bellbrook as of and for the year ended December 31, 2004, and have issued our report thereon dated August 9, 2005. As disclosed in Note 3 to the financial statements, the City has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 41, “Budgetary Comparison Schedule - Perspective Differences”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”, GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”. In addition, capital assets have been restated due to changes in the City’s capitalization threshold and errors and omissions reported in the prior year, the removal of insurance payables, the addition of prepaids and a change in accounting methods for the reporting of compensated absences, as disclosed in Note 3. 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.

Members of Council and Mayor
City of Bellbrook

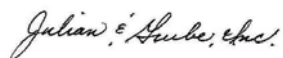
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellbrook's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

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

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



Julian & Grube, Inc.
August 9, 2005



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 27, 2005**