



Dave Yost • Auditor of State



**CITY OF BELLBROOK  
GREENE COUNTY**

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GREENE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Bellbrook  
Greene County  
15 East Franklin Street  
Bellbrook, Ohio 45305

To the Mayor and City Council:

### ***Report on the Financial Statements***

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, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, Greene County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 12 to the financial statements, during the year ended December, 31, 2013, the City adopted the provisions of *Governmental Accounting Standard No. 65, Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and *required budgetary comparison schedules* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 3, 2014

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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, 2013. 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 2013 are as follows:

- The total net position of the City increased \$369,779 or 1.62%. Net position of governmental activities increased \$212,075 or 2.13% and net position of business-type activities increased \$157,704 or 1.22%.
- Unrestricted net position of the City increased \$255,925 or 8.54%. Unrestricted net position of governmental activities increased \$25,208 or 2.03% and unrestricted net position of business-type activities increased \$230,717 or 13.16%.
- Total revenues increased \$189,274 or 2.93%. Revenues of governmental activities increased \$222,178 or 5.19% and revenues of business-type activities decreased \$32,904 or -1.50%.
- Total expenses increased \$419,622 or 6.67%. Expenses of governmental activities increased \$426,747 or 11.04% and expenses of business-type activities decreased \$7,125 or .36%.
- As of December 31, 2013 the City's governmental funds report combined ending fund balances of \$3.12 million. Approximately 38% or \$1.19 million of this fund balance is available for spending at the City's discretion (unassigned fund balance).

**Using this Annual Financial Report**

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

The statement of net position 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 non-major funds presented in total in one column.

**Reporting the City as a Whole**

**Statement of Net Position 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 2013?" The statement of net position 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.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

These two statements report the City's *net position* and changes in those positions. This change in net position 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 position and the statement of activities, the City is divided into two distinct kinds of activities:

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

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

The City's statement of net position and statement of activities can be found on pages 13-14 of this report.

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

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

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

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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



**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, street fund, police fund, fire fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 16-22 of this report.

***Proprietary Funds***

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and waste collection functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 23-25 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 26 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 27-43 of this report.

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2013 compared to 2012.

	<b>Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets:</b>						
Current and other Assets	\$6,296,964	\$6,473,247	\$2,152,268	\$1,944,215	\$8,449,232	\$8,417,462
Capital Assets	6,793,323	6,498,393	12,800,645	13,014,831	19,593,968	19,513,224
Total Assets	<u>13,090,287</u>	<u>12,971,640</u>	<u>14,952,913</u>	<u>14,959,046</u>	<u>28,043,200</u>	<u>27,930,686</u>
<b>Liabilities:</b>						
Long-term liabilities	168,121	196,383	1,741,966	1,886,867	1,910,087	2,083,250
Other liabilities	203,118	268,284	118,289	137,225	321,407	405,509
Total Liabilities	<u>371,239</u>	<u>464,667</u>	<u>1,860,255</u>	<u>2,024,092</u>	<u>2,231,484</u>	<u>2,488,759</u>
<b>Deferred Inflows:</b>						
Property Taxes	<u>2,560,250</u>	<u>2,560,250</u>			<u>2,560,250</u>	<u>2,560,250</u>
Total deferred inflows	<u>2,560,250</u>	<u>2,560,250</u>			<u>2,560,250</u>	<u>2,560,250</u>

(Continued)

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

**Net Position  
(Continued)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Net Position:</b>						
Net Investment in						
Capital assets	6,793,323	6,498,393	11,108,359	11,181,372	17,901,682	17,679,765
Restricted	2,097,450	2,205,513			2,097,450	2,205,513
Unrestricted	1,268,025	1,242,817	1,984,299	1,753,582	3,252,324	2,996,399
<b>Total Net Position</b>	<b>\$10,158,798</b>	<b>\$9,946,723</b>	<b>\$13,092,658</b>	<b>\$12,934,954</b>	<b>\$23,251,456</b>	<b>\$22,881,677</b>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the City's assets exceeded liabilities by \$23,251,456. At year-end, net position was \$10,158,798 and \$13,092,658 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, net investment in capital assets represented 77.0% of total net position. Capital assets include land, land improvements, buildings and improvements, vehicles, utility structures in service, machinery and equipment and infrastructure. Net investment in capital assets at December 31, 2013, were \$6,793,323 and \$11,108,359 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 position, \$2,097,450, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$1,268,025 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net position for fiscal year 2013 compared to 2012.

	<b>Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012 Restated</b>	<b>2013</b>	<b>2012 Restated</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$197,754	\$147,808	\$2,035,927	\$2,188,042	\$2,233,681	\$2,335,850
Operating grants and contributions	433,026	436,035			433,026	436,035
Capital grants and contributions	484,782	352,499	119,211		603,993	352,499

(Continued)

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

**Changes in Net Position  
(Continued)**

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012 Restated	2013	2012 Restated
<b>General Revenues:</b>						
Property taxes	\$2,595,631	\$2,622,998			\$2,595,631	\$2,622,998
Estate taxes	73,343	67,656			73,343	67,656
Grants and other contributions not restricted to specific programs	627,580	618,590			627,580	618,590
Investment earnings	5,377	11,107			5,377	11,107
Gain/(loss) on sale of capital assets	16,316				16,316	
Miscellaneous	70,893	25,831			70,893	25,831
<b>Total Revenues</b>	<b>4,504,702</b>	<b>4,282,524</b>	<b>\$2,155,138</b>	<b>\$2,188,042</b>	<b>6,659,840</b>	<b>6,470,566</b>
<b>Expenses:</b>						
General government	476,789	446,338			476,789	446,338
Public safety	2,899,551	2,775,456			2,899,551	2,775,456
Community environment	80,700	76,435			80,700	76,435
Recreation	11,865	10,433			11,865	10,433
Transportation	823,722	557,218			823,722	557,218
Waste collection			423,364	478,701	423,364	478,701
Water			1,574,070	1,525,858	1,574,070	
<b>Total expenses</b>	<b>4,292,627</b>	<b>3,865,880</b>	<b>1,997,434</b>	<b>2,004,559</b>	<b>6,290,061</b>	<b>5,870,439</b>
<b>Change in net position</b>	<b>\$212,075</b>	<b>\$416,644</b>	<b>\$157,704</b>	<b>\$183,483</b>	<b>\$369,779</b>	<b>\$600,127</b>

**Governmental Activities**

Governmental activities net position increased \$212,075 in 2013. Public safety which primarily supports the operations of the police and fire department accounted for \$2,899,551 or 67.55% of the total governmental activity expenses of the City. Public safety expenses were partially funded by \$150,491 in direct charges to users of the services. General government expenses totaled \$476,789. General government expenses were partially funded by \$39,001 in direct charges to users of the services.

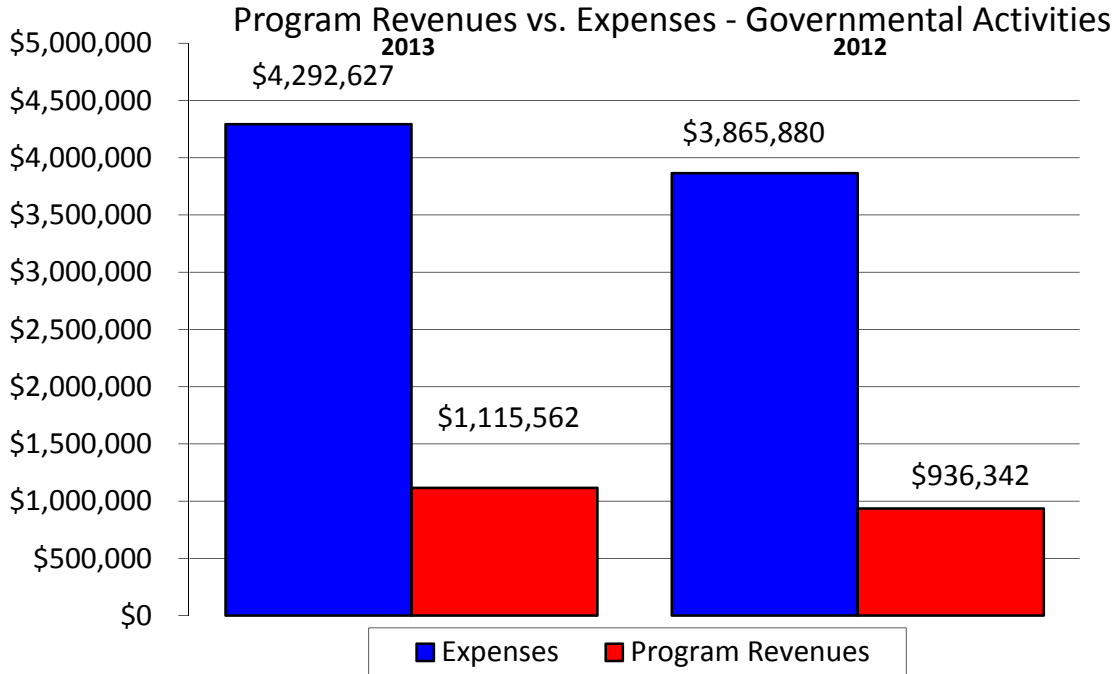
The state and federal government contributed to the City a total of \$433,026 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$416,877 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,389,140, and amounted to 75.24% of total governmental revenues. The primary source of these general revenues is property taxes of \$2,595,631. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds and homestead and rollback reimbursements from the State of Ohio, making up \$627,580.

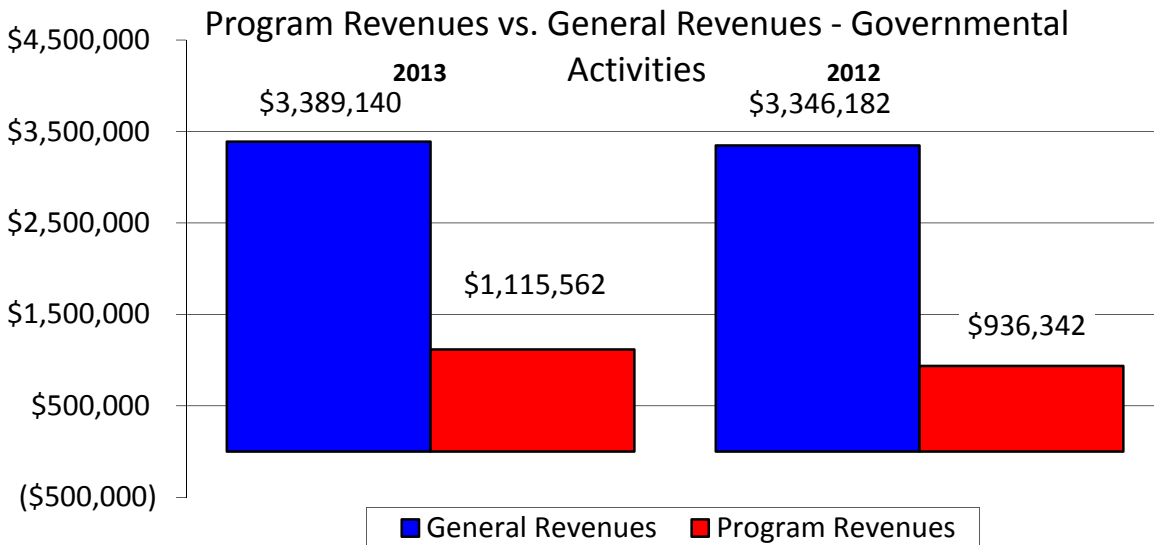
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total expenses and program revenues. The difference identifies the cost of these services supported by tax revenue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

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**



The dependence upon general revenues for governmental activities is apparent, with 74.01% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2013 and 2012.

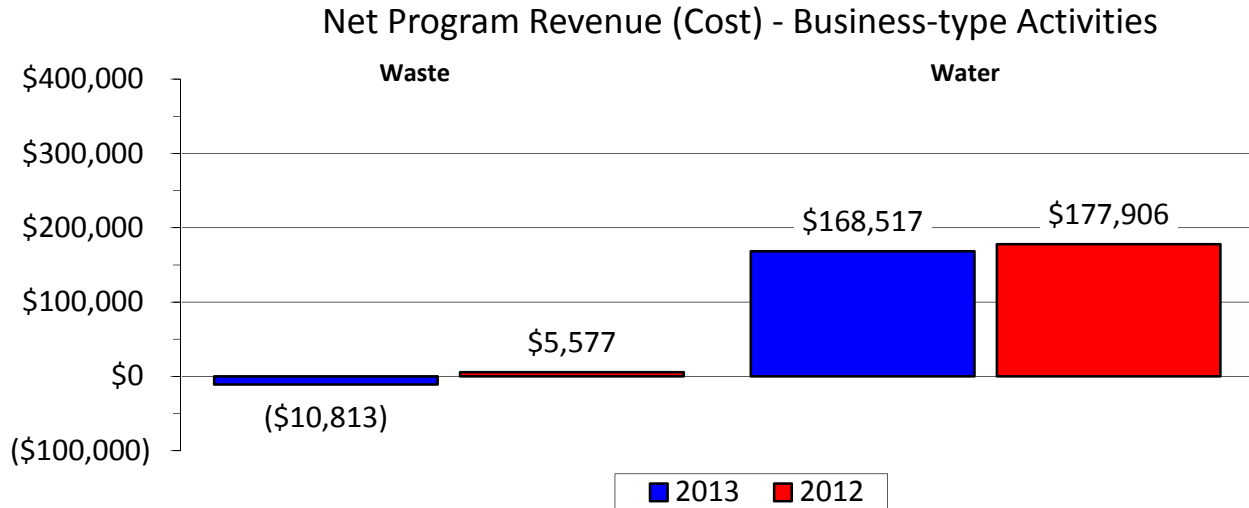


**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

**Business-type Activities**

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,155,138 and expenses of \$1,997,434 for 2013. The graph below shows the net program revenue (cost) for each business-type activity:



**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, unassigned 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 page 16) reported a combined fund balance of \$3,119,586 which is \$13,959 below last year's total of \$3,133,545. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2013 for all major and non-major governmental funds.

	<b>Fund Balance 12/31/2013</b>	<b>Fund Balance 12/31/2012</b>	<b>Increase (Decrease)</b>
<b>Major Funds:</b>			
General	\$1,191,703	\$1,142,218	\$49,485
Street	140,382	165,278	(24,896)
Police	94,849	31,844	63,005
Fire	175,949	142,327	33,622
Capital Improvement	1,401,672	1,501,938	(100,266)
Other Non-major Governmental Funds	115,031	149,940	(34,909)
<b>Total</b>	<b>\$3,119,586</b>	<b>\$3,133,545</b>	<b>(\$13,959)</b>

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

The City's **general fund** balance increased \$49,485. The table that follows assists in illustrating the revenues of the general fund.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
<b>General Fund Revenues:</b>			
Local Taxes	\$583,688	\$575,762	1.38%
Intergovernmental	257,484	260,044	(0.98)%
Special Assessments	3,227	3,906	(17.38)%
Charges for Services	33,589	32,821	(2.34)%
Fines, Licenses & Permits	163,027	156,409	4.23%
Investment Income	5,367	11,099	(51.64)%
Miscellaneous Receipts	8,996	1,929	366.36%
Total	<u>\$1,055,378</u>	<u>\$1,041,970</u>	<u>1.29%</u>

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

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
<b>General Fund Expenditures:</b>			
General Government	\$400,665	\$375,196	6.79%
Public Safety	10,684	11,056	(3.36)%
Community Environment	82,689	79,144	4.48%
Recreation	11,865	10,433	13.73%
<b>Other Financing Uses:</b>			
Transfers Out	500,000	650,000	(23.08)%
Total	<u>\$1,005,903</u>	<u>\$1,125,829</u>	<u>(10.65)%</u>

During 2013 the City decreased total expenditures and other financing uses by 10.65%. The largest expenditure category, general government, increased 6.79% due primarily to additional services and maintenance in 2013. Transfers out decreased due to a decrease in transfers to the capital improvements fund in 2013.

The **street fund** had revenues of \$310,787 in 2013. The expenditures of the street fund, totaled \$335,683 in 2013. The net decrease in fund balance for the street fund was \$24,896 or -15.06%.

The **police fund** had revenues and other financing sources of \$1,719,888 in 2013. The expenditures of the police fund totaled \$1,656,883 in 2013. The net increase in fund balance for the police fund was \$63,005 or 197.86%. The increase can be attributed the approval of a replacement property tax levy in 2011.

The **fire fund** had revenues and other financing sources of \$1,085,992 in 2013. The expenditures of the fire fund totaled \$1,052,370 in 2013. The net increase in fund balance for the fire fund was \$33,622 or 23.62%.

The **capital improvement fund** had revenues other financing sources of \$311,557 in 2013. The expenditures of the capital improvement fund totaled \$411,823 in 2013. The net decrease in fund balance for the capital improvement fund was \$100,266 or -6.68%. The decrease is due to planned expenditures for capital projects. The fund balance is accumulated in anticipation of future significant capital projects.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

**General Fund Budgetary Highlights**

General fund appropriations were decreased nominally in 2013. Actual expenditures were \$22,707 less than the final appropriations. In addition, actual revenues exceeded budgetary estimates by \$26,667.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2013, the City had \$19,593,968 (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, \$6,793,323 was reported in governmental activities and \$12,800,645 was reported in business-type activities. Further details regarding the City's capital assets can be found in Note 5 to the Financial Statements.

***Debt Administration***

The City had the following long-term debt outstanding at December 31, 2013 and 2012:

	<b>Business Type Activities</b>	
	<b>2013</b>	<b>2012</b>
General Obligation Bonds	\$550,000	\$610,000
OPWC Loans	1,142,286	1,223,459
Total	<u>\$1,692,286</u>	<u>\$1,833,459</u>

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

**Economic Conditions and Outlook**

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

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

In 2013, there were two active housing developments underway. New single-family housing permits increased significantly in 2013. As the housing market continues to improve, activity in the two housing developments is expected to increase. One bright spot in the housing market is the City's proximity to the Wright Patterson Air Force Base, the largest employer in the area.

The State of Ohio, in an effort to balance their budget, has decreased several forms of state aid that the City currently receives. These cuts began to impact the City finances in 2011, but their full effect will not be felt until future fiscal years. The State's current biennial budget does not include further reductions at this time.

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.

**CITY OF BELLBROOK  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(UNAUDITED)  
(Continued)**

**Contacting the City's Financial Management**

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



**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Pooled cash and investments	\$3,115,736	\$1,791,006	\$4,906,742
Cash and cash equivalents with fiscal agents	52,484		52,484
<b>Receivables (net):</b>			
Taxes	2,592,608		2,592,608
Accounts	69,286	311,234	380,520
Intergovernmental	435,418		435,418
Interest	1,631		1,631
Special assessments	2,355	2,853	5,208
Inventory	26,250	41,473	67,723
Prepaid items	1,196	5,702	6,898
<b>Capital assets:</b>			
Non-depreciable capital assets	262,230	604,370	866,600
Depreciable capital assets, net	6,531,093	12,196,275	18,727,368
Total assets	<u>13,090,287</u>	<u>14,952,913</u>	<u>28,043,200</u>
<b>Liabilities:</b>			
Accounts payable	16,246	39,164	55,410
Accrued liabilities	126,390	40,045	166,435
Due to other governments	60,482	14,998	75,480
Unearned revenue		22,005	22,005
Accrued interest payable		2,077	2,077
<b>Non-current liabilities:</b>			
Due within one year	119,943	195,852	315,795
Due in more than one year	48,178	1,546,114	1,594,292
Total liabilities	<u>371,239</u>	<u>1,860,255</u>	<u>2,231,494</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes	2,560,250		2,560,250
Total deferred inflows of resources	<u>2,560,250</u>		<u>2,560,250</u>
<b>Net Position:</b>			
Net investment in capital assets	6,793,323	11,108,359	17,901,682
<b>Restricted for:</b>			
Capital improvement	1,401,672		1,401,672
Public safety	333,704		333,704
Streets & highways	359,903		359,903
Other purposes	2,171		2,171
Unrestricted	1,268,025	1,984,299	3,252,324
Total net position	<u>\$10,158,798</u>	<u>\$13,092,658</u>	<u>\$23,251,456</u>

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Governmental activities:</b>				
General government	\$476,789	\$39,001		
Public safety	2,899,551	150,491	\$16,149	
Community environment	80,700	8,262		
Recreation	11,865			
Transportation	823,722		416,877	\$484,782
Total governmental activities	<u>4,292,627</u>	<u>197,754</u>	<u>433,026</u>	<u>484,782</u>
<b>Business-type activities:</b>				
Waste collection	423,364	412,551		
Water	1,574,070	1,623,376		119,211
Total business-type activities	<u>1,997,434</u>	<u>2,035,927</u>		<u>119,211</u>
Total	<u>\$6,290,061</u>	<u>\$2,233,681</u>	<u>\$433,026</u>	<u>\$603,993</u>

**General revenues:**

**Taxes:**

Property taxes

Estate taxes

Grants and contributions not restricted to specific programs

Investment earnings

Gain on sale/disposal of capital assets

Miscellaneous

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

*See Notes to the Basic Financial Statements.*

**Net (Expense) Revenue and Changes in Net**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
(\$437,788)		(\$437,788)
(2,732,911)		(2,732,911)
(72,438)		(72,438)
(11,865)		(11,865)
77,937		77,937
<u>(3,177,065)</u>		<u>(3,177,065)</u>
	(\$10,813)	(10,813)
	168,517	168,517
	<u>157,704</u>	<u>157,704</u>
<u>(3,177,065)</u>	<u>157,704</u>	<u>(3,019,361)</u>
2,595,631		2,595,631
73,343		73,343
627,580		627,580
5,377		5,377
16,316		16,316
70,893		70,893
<u>3,389,140</u>		<u>3,389,140</u>
212,075	157,704	369,779
<u>9,946,723</u>	<u>12,934,954</u>	<u>22,881,677</u>
<u>\$10,158,798</u>	<u>\$13,092,658</u>	<u>\$23,251,456</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<b>General</b>	<b>Street</b>	<b>Police</b>	<b>Fire</b>
<b>Assets:</b>				
Pooled cash and investments	\$1,170,770	\$103,856	\$190,995	\$210,931
<b>Receivables (net):</b>				
Taxes	562,683		1,269,789	717,602
Accounts	30,823			38,463
Intergovernmental	87,843	144,724	102,343	57,712
Interest	1,631			
Special assessments	2,355			
Inventory		7,889	3,972	1,320
Prepaid items	72	175	701	248
<b>Restricted assets:</b>				
Cash and cash equivalents with fiscal agent				
Total assets	1,856,177	256,644	1,567,800	1,026,276
<b>Liabilities:</b>				
Accounts payable	13,292		1,220	1,655
Accrued liabilities	9,528	14,814	69,483	32,565
Due to other governments	5,354	4,908	30,734	19,486
Total liabilities	28,174	19,722	101,437	53,706
<b>Deferred Inflows of Resources:</b>				
Property taxes	562,683		1,269,789	717,602
Unavailable revenue	73,617	96,540	101,725	79,019
Total deferred inflows of resources	636,300	96,540	1,371,514	796,621
<b>Fund Balances:</b>				
Non-spendable: Inventory and prepaids	72	8,064	4,673	1,568
<b>Restricted for:</b>				
Public safety			90,176	174,381
Transportation		132,318		
<b>Committed to:</b>				
Transportation				
<b>Assigned to:</b>				
Public safety				
Other capital projects				
Unassigned	1,191,631			
Total fund balances	1,191,703	140,382	94,849	175,949
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,856,177</u>	<u>\$256,644</u>	<u>\$1,567,800</u>	<u>\$1,026,276</u>

See Notes to the Basic Financial Statements.

<u>Capital Improvements</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,349,188	\$89,996	\$3,115,736
	42,534	2,592,608
		69,286
	42,796	435,418
		1,631
		2,355
	13,069	26,250
		1,196
52,484		52,484
<u>1,401,672</u>	<u>188,395</u>	<u>6,296,964</u>
	79	16,246
		126,390
		60,482
	<u>79</u>	<u>203,118</u>
	42,534	2,592,608
	30,751	381,652
	<u>73,285</u>	<u>2,974,260</u>
	13,069	27,446
	816	265,373
52,484	98,975	283,777
	2,171	2,171
39,208		39,208
1,309,980		1,309,980
		1,191,631
<u>1,401,672</u>	<u>115,031</u>	<u>3,119,586</u>
<u>\$1,401,672</u>	<u>\$188,395</u>	<u>\$6,296,964</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**RECONCILIATION OF TOTAL  
GOVERNMENTAL FUND BALANCES TO NET  
POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

Total governmental fund balances	\$3,119,586
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,793,323
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Property taxes receivable	32,358
Accounts receivable	21,307
Intergovernmental receivable	357,990
Special assessment receivable	2,355
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds:	
Compensated absences	<u>(168,121)</u>
Net position of governmental activities	<u><u>\$10,158,798</u></u>

*See Notes to the Basic Financial Statements.*

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**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Street</u>	<u>Police</u>	<u>Fire</u>
<b>Revenues:</b>				
Local taxes	\$583,688		\$1,313,268	\$742,188
Intergovernmental revenues	257,494	\$297,187	212,856	117,092
Special assessments	3,227			
Charges for services	33,589			115,427
Fines, licenses and permits	163,027			
Investment income	5,367			
Miscellaneous receipts	8,996	13,600	43,764	11,285
Total revenues	<u>1,055,388</u>	<u>310,787</u>	<u>1,569,888</u>	<u>985,992</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	400,665			
Public safety	10,684		1,656,883	1,052,370
Community environment	82,689			
Recreation	11,865			
Transportation		335,683		
Capital outlay				
Total expenditures	<u>505,903</u>	<u>335,683</u>	<u>1,656,883</u>	<u>1,052,370</u>
Excess (deficiency) of revenues over (under) expenditures	549,485	(24,896)	(86,995)	(66,378)
<b>Other financing sources (uses):</b>				
Transfers in			150,000	100,000
Transfers out	(500,000)			
Total other financing sources (uses)	<u>(500,000)</u>		<u>150,000</u>	<u>100,000</u>
Net change in fund balances	49,485	(24,896)	63,005	33,622
Fund balances, beginning of year	<u>1,142,218</u>	<u>165,278</u>	<u>31,844</u>	<u>142,327</u>
Fund balances, end of year	<u>\$1,191,703</u>	<u>\$140,382</u>	<u>\$94,849</u>	<u>\$175,949</u>

*See Notes to the Basic Financial Statements.*



<u>Capital Improvements</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$44,257	\$2,683,401
\$39,688	87,014	1,011,331
		3,227
		149,016
		163,027
		5,367
21,869	2,195	101,709
<u>61,557</u>	<u>133,466</u>	<u>4,117,078</u>
	536	401,201
	51,330	2,771,267
		82,689
		11,865
	116,509	452,192
411,823		411,823
<u>411,823</u>	<u>168,375</u>	<u>4,131,037</u>
(350,266)	(34,909)	(13,959)
250,000		500,000
		(500,000)
<u>250,000</u>		
(100,266)	(34,909)	(13,959)
1,501,938	149,940	3,133,545
<u>\$1,401,672</u>	<u>\$115,031</u>	<u>\$3,119,586</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**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, 2013**

Net change in fund balances - total governmental funds (\$13,959)

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

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

Capital asset additions	742,537
Current year depreciation	(447,607)

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

Property taxes	(87,770)
Charges for services	(5,786)
Intergovernmental revenue	(3,077)
Special assessments	(525)

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

28,262

Change in net position of governmental activities

\$212,075

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Totals</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Pooled cash and investments	\$264,314	\$1,526,692	\$1,791,006
<b>Receivables (net):</b>			
Accounts	1,143	310,091	311,234
Special assessments		2,853	2,853
Inventory		41,473	41,473
Prepaid items	12	5,690	5,702
Total current assets	<u>265,469</u>	<u>1,886,799</u>	<u>2,152,268</u>
<b>Non-current assets:</b>			
<b>Capital assets:</b>			
Non-depreciable capital assets		604,370	604,370
Depreciable capital assets, net	28,751	12,167,524	12,196,275
Total non-current assets	<u>28,751</u>	<u>12,771,894</u>	<u>12,800,645</u>
Total assets	<u>294,220</u>	<u>14,658,693</u>	<u>14,952,913</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	31,696	7,468	39,164
Accrued liabilities	1,924	38,121	40,045
Compensated absences	3,385	46,295	49,680
Due to other governments	248	14,750	14,998
Current portion of OPWC loans		81,172	81,172
Current portion of general obligation bonds		65,000	65,000
Accrued interest payable		2,077	2,077
Unearned revenue	22,005		22,005
Total current liabilities	<u>59,258</u>	<u>254,883</u>	<u>314,141</u>
<b>Non-current liabilities:</b>			
General obligation bonds		485,000	485,000
OPWC loans		1,061,114	1,061,114
Total noncurrent liabilities		<u>1,546,114</u>	<u>1,546,114</u>
Total liabilities	<u>59,258</u>	<u>1,800,997</u>	<u>1,860,255</u>
<b>Net position:</b>			
Net investment in capital assets	28,751	11,079,608	11,108,359
Unrestricted	206,211	1,778,088	1,984,299
Total net position	<u>\$234,962</u>	<u>\$12,857,696</u>	<u>\$13,092,658</u>

See Notes to the Basic Financial Statements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES  
IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Totals</b>
<b>Operating revenues:</b>			
Charges for services	\$410,330	\$1,606,145	\$2,016,475
Other revenue	2,221	18,001	20,222
Total operating revenues	<u>412,551</u>	<u>1,624,146</u>	<u>2,036,697</u>
<b>Operating expenses</b>			
Personal services	29,326	790,335	819,661
Purchased services	380,385	220,917	601,302
Supplies and materials		186,141	186,141
Other expenses	2,406	5,405	7,811
Depreciation	11,247	358,410	369,657
Total operating expenses	<u>423,364</u>	<u>1,561,208</u>	<u>1,984,572</u>
Operating income (loss)	<u>(10,813)</u>	<u>62,938</u>	<u>52,125</u>
<b>Non-operating revenues (expenses):</b>			
Interest expense		(12,862)	(12,862)
Gain (loss) on disposal of assets		(770)	(770)
Total nonoperating revenues (expenses)		<u>(13,632)</u>	<u>(13,632)</u>
Income (loss) before contributions	(10,813)	49,306	38,493
Capital contributions		119,211	119,211
Change in net position	(10,813)	168,517	157,704
Net position at beginning of year, as restated	<u>245,775</u>	<u>12,689,179</u>	<u>12,934,954</u>
Net position at end of year	<u>\$234,962</u>	<u>\$12,857,696</u>	<u>\$13,092,658</u>

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	<b>Business-type Activities</b>		
	<b>Waste Collection</b>	<b>Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$405,541	\$1,624,010	\$2,029,551
Cash paid to employees	(29,316)	(797,362)	(826,678)
Cash paid to suppliers of goods and services	(386,805)	(402,765)	(789,570)
Other receipts	2,221	18,001	20,222
Net cash provided (used) by operating activities	<u>(8,359)</u>	<u>441,884</u>	<u>433,525</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets		(37,030)	(37,030)
Principal retirement on revenue bonds		(60,000)	(60,000)
Principal retirement on OPWC loans		(81,173)	(81,173)
Interest and fiscal charges		(13,062)	(13,062)
Net cash provided (used) by capital and related financing activities		<u>(191,265)</u>	<u>(191,265)</u>
Increase (decrease) in cash and cash equivalents	(8,359)	250,619	242,260
Cash and cash equivalents at beginning of year	<u>272,673</u>	<u>1,276,073</u>	<u>1,548,746</u>
Cash and cash equivalents at end of year	<u>264,314</u>	<u>1,526,692</u>	<u>1,791,006</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	(10,813)	62,938	52,125
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	11,247	358,410	369,657
<b>Change in operating assets and liabilities:</b>			
(Increase) decrease in receivables	251	17,865	18,116
(Increase) decrease in prepaid items	191	9,319	9,510
(Increase) decrease in inventories		6,581	6,581
Increase (decrease) in liabilities	(9,235)	(13,229)	(22,464)
Total adjustments	<u>2,454</u>	<u>378,946</u>	<u>381,400</u>
Net cash provided (used) by operating activities	<u><u>(\$8,359)</u></u>	<u><u>\$441,884</u></u>	<u><u>\$433,525</u></u>
<b>Non-cash investing, capital and financing activities:</b>			
Capital contributions from developers	<u>\$0</u>	<u>\$119,211</u>	<u>\$119,211</u>

See Notes to the Basic Financial Statements.

CITY OF BELLBROOK  
GREENE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
DECEMBER 31, 2013

	<u>Agency Fund</u>
<b>Assets:</b>	
Pooled cash and cash equivalents	<u>\$26,961</u>
<b>Liabilities:</b>	
Undistributed monies	<u><u>\$26,961</u></u>

*See Notes to the Basic Financial Statements.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. Government-wide and Fund Financial Statements**

**1. Government-wide Financial Statements**

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

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

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund type:

**Agency fund** – This fund accounts for assets held by the City as an agent (i.e. payroll withholdings and performance bonds).

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

The government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**D. Pooled Cash and Investments**

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 "pooled cash and investments" on the financial statements.

Interest earnings are allocated to the General Fund except for funds derived from contract, trust agreement, grant terms or City policy which require crediting otherwise. Interest revenue credited to the General Fund during 2013 amounted to \$5,367, which includes \$4,093 assigned from other funds.

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

All investments are stated at fair value, which are based on quoted market prices.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventories and Prepaid Items**

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

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

**F. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, 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 position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2013, the City's capitalization threshold was \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

**G. Compensated Absences**

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

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

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**I. Fund Balance Classifications**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in governmental funds. The classifications are as follows:

**Non-spendable** – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. The non-spendable fund balances for the City includes materials and supplies inventory and prepaid items.

**Restricted** – The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the General Fund, assigned amounts represent intended uses established by Council or a City official delegated that authority by City charter or ordinance. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned followed by unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**J. Estimates**

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

**K. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**2. POOLED CASH AND INVESTMENTS**

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

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**2. POOLED CASH AND INVESTMENTS (Continued)**

**A. Deposits**

At December 31, 2013, the bank balance of the City's cash deposits was \$3,757,521. As of December 31, 2013, \$2,941,355 of the City's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and \$816,166 was exposed to custodial credit risk as described below.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits that are not FDIC insured. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

**B. Investments**

The Ohio Revised Code and the City's investment policy authorize the City to invest in the State Treasury Asset Reserve of Ohio, certificates of deposit, repurchase agreements, United States treasury bills and notes, federal agency securities, bankers' acceptances and commercial paper of the highest rating. The city's investment policy applies to all funds and fund types. All deposits are made to authorized public depositories and contracts with such institutions are in accordance with the Ohio Revised Code and the City's investment policy.

The City invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The State operates the pool in accordance with Ohio Revised Code Section 135.45. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013.

As of December 31, 2013, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less than 1</b>	<b>1 - 5</b>
Federal National Mortgage Association Bonds	\$400,794	\$200,350	\$200,444
Federal Farm Credit Bonds	411,400		411,400
Federal Home Loan Mortgage Corporation Bonds	200,875	200,875	
Federal Home Loan Bank Bonds	198,910		198,910
Schwab Money Market	8,547	8,547	
STAR Ohio	2,212	2,212	
<b>Total</b>	<b>\$1,222,738</b>	<b>\$411,984</b>	<b>\$810,754</b>

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**2. POOLED CASH AND INVESTMENTS (Continued)**

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

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

**Credit Risk:** It is the City's policy to limit its investments that are not obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. As of December 31, 2013, the City's investment in STAR Ohio was rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

**Concentration of Credit Risk:** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2013:

<u>Investment Type</u>	<u>Percentage of Total</u>
Federal National Mortgage Association Bonds	32.78%
Federal Farm Credit Bonds	33.65%
Federal Home Loan Mortgage Corporation Bonds	16.43%
Federal Home Loan Bank Bonds	16.27%
Schwab Money Market	0.70%
STAR Ohio	0.18%

**Cash with Fiscal Agent** - At year-end, the City had \$52,484 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 County Comprehensive Annual Financial Report for the year ended December 31, 2013. This amount is not included in the City's depository balance.

**3. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers Out</u>
General		\$500,000
Police	\$150,000	
Fire	100,000	
Capital Improvements	250,000	
Total	<u>\$500,000</u>	<u>\$500,000</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**4. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property taxes are levied each December 31<sup>st</sup> on the assessed value listed as of the prior December 31<sup>st</sup>. Assessed values are established for real property at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2011.

The property tax calendar is as follows:

Levy date	December 31, 2012
Lien date	December 31, 2012
First installment payment due	February 15, 2013
Second installment payment due	July 15, 2013

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

The full tax rate for all City operations for the year ended December 31, 2013 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real estate	\$163,911,840
Public utility tangible personal property	<u>3,291,400</u>
Total	<u>\$167,203,240</u>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated:</b>				
Land	\$262,230			\$262,230
Subtotal	<u>262,230</u>			<u>262,230</u>
<b>Capital assets being depreciated:</b>				
Land improvements	266,319			266,319
Building and improvements	3,066,002			3,066,002
Machinery and equipment	754,661	\$48,639	(\$14,350)	788,950
Vehicles	2,001,893	61,340	(247,354)	1,815,879
Infrastructure	3,748,239	632,557		4,380,796
Subtotal	<u>9,837,114</u>	<u>742,536</u>	<u>(261,704)</u>	<u>10,317,946</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(241,605)	(4,687)		(246,292)
Building and improvements	(1,006,693)	(64,337)		(1,071,030)
Machinery and equipment	(474,454)	(59,676)	14,350	(519,780)
Vehicles	(1,299,066)	(121,572)	247,354	(1,103,284)
Infrastructure	(649,133)	(197,334)		(846,467)
Subtotal	<u>(3,600,951)</u>	<u>(447,606)</u>	<u>261,704</u>	<u>(3,786,853)</u>
Net Capital Assets	<u>\$6,498,393</u>	<u>\$294,930</u>	<u>\$0</u>	<u>\$6,793,323</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**5. CAPITAL ASSETS (Continued)**

Depreciation was charged to governmental activities as follows:

General government	\$74,862
Public safety	156,152
Transportation	216,592
Total governmental activities depreciation expense	<u>\$447,606</u>

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$604,370			\$604,370
Subtotal	<u>604,370</u>			<u>604,370</u>
<b>Capital assets being depreciated:</b>				
Land improvements	29,958			29,958
Utility structures in service	14,094,498	\$119,211		14,213,709
Building and improvements	5,177,763			5,177,763
Machinery and equipment	387,780	37,030	(\$6,575)	418,235
Vehicles	159,748			159,748
Subtotal	<u>19,849,747</u>	<u>156,241</u>	<u>(6,575)</u>	<u>19,999,413</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(26,383)	(1,091)		(27,474)
Utility structures in service	(5,955,576)	(193,144)		(6,148,720)
Building and improvements	(1,183,094)	(122,373)		(1,305,467)
Machinery and equipment	(206,430)	(39,019)	5,805	(239,644)
Vehicles	(67,803)	(14,030)		(81,833)
Subtotal	<u>(7,439,286)</u>	<u>(369,657)</u>	<u>5,805</u>	<u>(7,803,138)</u>
Net Capital Assets	<u>\$13,014,831</u>	<u>(\$213,416)</u>	<u>(\$770)</u>	<u>\$12,800,645</u>

Depreciation was charged to business-type activities as follows:

Waste collection	\$11,247
Water	358,410
Total business-type activities depreciation expense	<u>\$369,657</u>

**6. RISK MANAGEMENT**

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

The City pays an annual premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. During 2013, MVRMA's per occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$10,000 - \$350,000 per occurrence retention limit. Liability had a per occurrence retention limit of \$500,000. After the retention limits are reached, excess insurance will cover up to the limits stated below:



**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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

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

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

Medical coverage is offered to employees through a self-funded insurance plan. The plan is offered to local governments state-wide through the Jefferson Health Plan (JHP) in Steubenville, Ohio and administered by United Healthcare of Ohio.

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The City's independent advisor has actuarially determined that \$84,809 is a good and sufficient provision for incurred but not reported claims as of December 31, 2013. This amount is non-discounted and is based upon historical claims experience. The claims liability is reported in the respective funds from which employee salaries are paid as part of the accrued liabilities on the governmental and proprietary funds balance sheet.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2012	(\$198,334)	(\$200,683)	\$283,103	(\$115,914)
2013	(115,914)	(262,945)	294,050	(84,809)

**7. PENSION PLANS**

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

**A. Ohio Public Employees Retirement System (OPERS)**

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

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**7. PENSION PLANS (Continued)**

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

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and contribution rates were consistent across all three plans. Plan members were required to contribute 10.0% of their annual covered salary and the City was required to contribute 14.0%. The City's required contributions for pension obligations for the years ended December 31, 2013, 2012, and 2011 were \$150,447, \$109,765 and \$121,985, respectively; 93% has been contributed for 2013 and 100% has been contributed for 2012 and 2011.

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

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

**Funding Policy** - From January 1, 2013 through July 31, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. The City's contributions for pension obligations for the years ended December 31, 2013, 2012, and 2011 were \$210,891, \$179,159 and \$176,480, respectively; 92% has been contributed for 2013 and 100% has been contributed for 2012 and 2011.

**8. OTHER POST EMPLOYMENT BENEFIT (OPEB)**

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

**A. Ohio Public Employees Retirement System**

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

**CITY OF BELLBROOK  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**8. OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)**

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14.00% of covered payroll. Active members do not make contributions to the post-employment healthcare plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan was 1.0% during calendar year 2013. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions allocated to fund post-employment benefits for the years ended December 31, 2013, 2012 and 2011 were \$11,568, \$43,903, and \$48,790, respectively; 93% has been contributed for 2013 and 100% has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 343 and the approved health care change, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

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

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

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**8. OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)**

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions allocated to fund post-employment benefits were \$47,599, \$85,159 and \$83,869 for the years ended December 31, 2013, 2012 and 2011, respectively; 92% has been contributed for 2013 and 100% has been contributed for 2012 and 2011.

**9. LONG-TERM OBLIGATIONS**

A. During 2013, the following changes occurred in the governmental activities long-term obligations:

	<b>Balance 12/31/2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2013</b>	<b>Due within One Year</b>
<b>Governmental Activities</b>					
Compensated Absences	\$196,383	\$168,121	(\$196,383)	\$168,121	\$119,943
Total	<u>\$196,383</u>	<u>\$168,121</u>	<u>(\$196,383)</u>	<u>\$168,121</u>	<u>\$119,943</u>

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. LONG-TERM OBLIGATIONS (Continued)**

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

**B.** During 2013, the following changes occurred in the business-type activities long-term obligations:

<u>Business-Type Activities</u>	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due within One Year</u>
General Obligation Bonds Waterworks system 2012 2.00 – 2.65%	\$610,000		(\$60,000)	\$550,000	\$65,000
Ohio Public Works Commission Loan Elevated water storage tank 1995 0.00%	100,000		(25,000)	75,000	25,000
Water treatment plant improvements 2010 0.00%	1,123,459		(56,173)	1,067,286	56,173
Compensated Absences	53,408	\$49,680	(53,408)	49,680	49,680
<b>Total</b>	<b>\$1,886,867</b>	<b>\$49,680</b>	<b>(\$194,581)</b>	<b>\$1,741,966</b>	<b>\$195,852</b>

**C.** A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2013, follows:

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2014	\$65,000	\$11,812	\$81,173
2015	60,000	10,562	81,173
2016	65,000	9,312	81,173
2017	65,000	8,013	56,173
2018	70,000	6,663	56,173
2019 - 2023	225,000	8,945	280,865
2024 - 2028			280,865
2029 - 2033			224,691
<b>Total</b>	<b>\$550,000</b>	<b>\$55,307</b>	<b>\$1,142,286</b>

**D. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the un-voted 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, 2013, the City's total debt margin was \$17,556,340 and the un-voted debt margin was \$9,196,178.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS**

**A. Miami Valley Risk Management Association**

The City is a member of the Miami Valley Risk Management Association (MVRMA) which is a jointly governed organization established as a joint insurance pool. As of December 31, 2013, MVRMA had twenty members. MVRMA covers all property, crime, liability, boiler and machinery and public liability insurance. MVRMA is intended to provide broad based coverage up to established limits with increased emphasis on safety and loss prevention.

MVRMA is a corporation governed by a twenty member board of trustees consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation with each trustee having a single vote. The board is responsible for its own financial matters and the corporation maintains its own book of account. Budgeting and financing of MVRMA is subject to the approval of the board. As of December 31, 2013, the member cities were: Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Madeira, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington and Wyoming.

Member contributions are calculated annually to produce a sufficient sum of money within the self-insurance pool to fund administrative expenses and to create adequate reserves for claims. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. The following is a summary of the MVRMA audited financial statements as of December 31, 2013:

Assets	\$19,039,885
Liabilities	<u>7,806,613</u>
Net Assets	<u><u>\$11,233,272</u></u>

**B. Jefferson Health Plan**

The City is a member of the Center for Local Government Benefits Pool (CLGBP) which is a member of the Jefferson Health Plan (JHP). JHP is a jointly governed organization established as a joint insurance pool. As of December 31, 2013, JHP had over 100 members. JHP provides medical, dental and prescription benefit coverage.

JHP is governed by a nine member board of trustees elected from all members. The board is responsible for the business and financial affairs of the JHP. Member contributions are calculated annually to produce a sufficient sum of money within the self-insurance pool to fund administrative expenses and to create adequate reserves for claims. The City has no explicit and measurable equity interest in JHP and no ongoing financial responsibility for JHP.

**11. 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 included herein or on the overall financial position of the City at December 31, 2013.

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**12. PRIOR YEAR RESTATEMENT**

In 2013 the City adopted GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities." This statement indicates that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prior to this statement, these costs were amortized over the duration of the related debt. The City has restated the beginning net position for business-type activities in the statement of activities and the beginning net position for proprietary funds in the statement of revenue, expenses and changes in fund net position for the unamortized debt issuance costs. The beginning net position for the year was \$12,969,804; less the unamortized debt issuance costs of \$34,850; equals a restated beginning net position of \$12,934,954. The City has restated the beginning net position for the water fund in the statement of activities and the beginning net position for the water fund in the statement of revenue, expenses and changes in fund net position for the unamortized debt issuance costs. The beginning net position for the year was \$12,724,029 less the unamortized debt issuance costs of \$34,850; equals a restated beginning net position of \$12,689,179.

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**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, & CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Local taxes	\$555,625	\$583,688	\$583,688	
Intergovernmental revenues	189,186	229,031	257,226	\$28,195
Charges for services	35,900	36,600	36,816	216
Fines, licenses, and permits	150,500	166,500	163,501	(2,999)
Interest earned	11,000	13,500	13,759	259
Miscellaneous and reimbursements	6,000	8,000	8,996	996
<b>Total revenues</b>	<b>948,211</b>	<b>1,037,319</b>	<b>1,063,986</b>	<b>26,667</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	408,676	412,076	396,197	15,879
Public safety	11,100	11,100	10,684	416
Community environment	84,507	85,757	82,754	3,003
Recreation	15,184	15,184	11,775	3,409
<b>Total expenditures</b>	<b>519,467</b>	<b>524,117</b>	<b>501,410</b>	<b>22,707</b>
Excess (deficiency) of revenues over expenditures	428,744	513,202	562,576	49,374
<b>Other financing sources (uses):</b>				
Transfers (out)	(500,000)	(500,000)	(500,000)	
<b>Total other financing sources (uses)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses:	(71,256)	13,202	62,576	49,374
Fund balance at beginning of year	1,116,070	1,116,070	1,116,070	
<b>Fund balance at end of year</b>	<b>\$1,044,814</b>	<b>\$1,129,272</b>	<b>\$1,178,646</b>	<b>\$49,374</b>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, & CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental revenues	\$299,000	\$299,000	\$296,514	(\$2,486)
Miscellaneous and reimbursements	<u>6,500</u>	<u>12,000</u>	<u>13,600</u>	<u>1,600</u>
Total revenues	<u>305,500</u>	<u>311,000</u>	<u>310,114</u>	<u>(886)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Transportation	<u>335,131</u>	<u>342,881</u>	<u>325,013</u>	<u>17,868</u>
Total expenditures	<u>335,131</u>	<u>342,881</u>	<u>325,013</u>	<u>17,868</u>
Excess (deficiency) of revenues over expenditures	<u>(29,631)</u>	<u>(31,881)</u>	<u>(14,899)</u>	<u>16,982</u>
Fund balance at beginning of year	<u>118,755</u>	<u>118,755</u>	<u>118,755</u>	
Fund balance at end of year	<u><u>\$89,124</u></u>	<u><u>\$86,874</u></u>	<u><u>\$103,856</u></u>	<u><u>\$16,982</u></u>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, & CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
POLICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Local taxes	\$1,253,875	\$1,313,268	\$1,313,268	
Intergovernmental revenues	193,125	209,207	213,634	\$4,427
Miscellaneous and reimbursements	10,500	41,400	43,764	2,364
Total revenues	<u>1,457,500</u>	<u>1,563,875</u>	<u>1,570,666</u>	<u>6,791</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	1,718,366	1,729,666	1,688,086	41,580
Total expenditures	<u>1,718,366</u>	<u>1,729,666</u>	<u>1,688,086</u>	<u>41,580</u>
Excess (deficiency) of revenues over expenditures	<u>(260,866)</u>	<u>(165,791)</u>	<u>(117,420)</u>	<u>48,371</u>
<b>Other financing sources (uses):</b>				
Transfers in	150,000	150,000	150,000	
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(110,866)</u>	<u>(15,791)</u>	<u>32,580</u>	<u>48,371</u>
Fund balance at beginning of year	<u>158,414</u>	<u>158,414</u>	<u>158,414</u>	
Fund balance at end of year	<u>\$47,548</u>	<u>\$142,623</u>	<u>\$190,994</u>	<u>\$48,371</u>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES, & CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY (NON-GAAP) BASIS  
FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Local taxes	\$708,750	\$742,188	\$742,188	
Intergovernmental revenues	101,250	113,592	117,092	\$3,500
Charges for services	95,000	110,000	114,854	4,854
Miscellaneous and reimbursements	2,000	10,400	11,285	885
Total revenues	<u>907,000</u>	<u>976,180</u>	<u>985,419</u>	<u>9,239</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	1,140,485	1,113,395	1,070,198	43,197
Total expenditures	<u>1,140,485</u>	<u>1,113,395</u>	<u>1,070,198</u>	<u>43,197</u>
Excess (deficiency) of revenues over expenditures	<u>(233,485)</u>	<u>(137,215)</u>	<u>(84,779)</u>	<u>52,436</u>
<b>Other financing sources (uses):</b>				
Transfers in	100,000	100,000	100,000	
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(133,485)</u>	<u>(37,215)</u>	<u>15,221</u>	<u>52,436</u>
Fund balance at beginning of year	<u>195,611</u>	<u>195,611</u>	<u>195,611</u>	
Fund balance at end of year	<u><u>\$62,126</u></u>	<u><u>\$158,396</u></u>	<u><u>\$210,832</u></u>	<u><u>\$52,436</u></u>

*See Notes to the Required Supplementary Information.*

**CITY OF BELLBROOK  
GREENE COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Budgets and Budgetary Accounting**

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

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

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

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to part of restricted, committed or assigned fund balance (GAAP).
- 4) Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**Reconciliation of Budget Basis to GAAP Basis**

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Police Fund</u>	<u>Fire Fund</u>
GAAP Basis	\$49,485	(\$24,896)	\$63,005	\$33,622
Net Adjustment for Revenue Accruals	8,598	(673)	778	(573)
Net Adjustment for Expenditure Accruals	4,493	10,670	(31,203)	(17,728)
Net Adjustment for Encumbrances				(100)
Budget Basis	<u>\$62,576</u>	<u>(\$14,899)</u>	<u>\$32,580</u>	<u>\$15,221</u>

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Bellbrook  
Greene County  
15 East Franklin Street  
Bellbrook, Ohio 45305

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 3, 2014, wherein we noted the City adopted new accounting guidance in *Governmental Accounting Standards Board Statement 65*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 3, 2014



CITY OF BELLBROOK  
GREENE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Financial Statement Errors	Yes	

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# Dave Yost • Auditor of State

**CITY OF BELLBROOK**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 6, 2014**