



Dave Yost • Auditor of State

**CITY OF BELLBROOK
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 City of Bellbrook, Greene County, Ohio (the City), as of and for the year ended December 31, 2014, 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 City of Bellbrook, Greene County, Ohio, as of December 31, 2014, 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.

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 August 14, 2015, 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 Government's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 14, 2015

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2014 (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, 2014. 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 2014 are as follows:

- The total net position of the City decreased \$63,557 or -0.27%. Net position of governmental activities decreased \$92,928 or -0.91% and net position of business-type activities increased \$29,371 or 0.22%.
- Unrestricted net position of the City increased \$215,221 or 6.62%. Unrestricted net position of governmental activities increased \$24,977 or 1.97% and unrestricted net position of business-type activities increased \$190,244 or 9.59%.
- Total revenues decreased \$571,456 or -8.58%. Revenues of governmental activities decreased \$365,276 or -8.11% and revenues of business-type activities decreased \$206,180 or -9.57%.
- Total expenses decreased \$138,120 or -2.20%. Expenses of governmental activities decreased \$60,273 or -1.40% and expenses of business-type activities decreased \$77,847 or -3.90%.
- As of December 31, 2014 the City's governmental funds report combined ending fund balances of \$3.23 million. Approximately 38% or \$1.23 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 nonmajor funds presented in total in one column.

City of Bellbrook, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
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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 2014?" 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.

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.

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.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)**

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street fund, police fund, fire fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

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.

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.

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.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
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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 2014 compared to 2013.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets:</u>						
Current and other assets	\$6,379,679	\$6,296,964	\$ 2,310,834	\$ 2,152,268	\$ 8,690,513	\$ 8,449,232
Capital assets	<u>6,573,862</u>	<u>6,793,323</u>	<u>12,493,599</u>	<u>12,800,645</u>	<u>19,067,461</u>	<u>19,593,968</u>
Total assets	<u>12,953,541</u>	<u>13,090,287</u>	<u>14,804,433</u>	<u>14,952,913</u>	<u>27,757,974</u>	<u>28,043,200</u>
<u>Liabilities:</u>						
Long-term liabilities	160,334	168,121	1,577,652	1,741,966	1,737,986	1,910,087
Other liabilities	<u>187,876</u>	<u>203,118</u>	<u>104,752</u>	<u>118,289</u>	<u>292,628</u>	<u>321,407</u>
Total liabilities	<u>348,210</u>	<u>371,239</u>	<u>1,682,404</u>	<u>1,860,255</u>	<u>2,030,614</u>	<u>2,231,494</u>
<u>Deferred Inflows:</u>						
Property Taxes	<u>2,539,461</u>	<u>2,560,250</u>	0	0	<u>2,539,461</u>	<u>2,560,250</u>
Total deferred inflows	<u>2,539,461</u>	<u>2,560,250</u>	0	0	<u>2,539,461</u>	<u>2,560,250</u>
<u>Net Position:</u>						
Net investment in capital assets	6,573,862	6,793,323	10,947,486	11,108,359	17,521,348	17,901,682
Restricted	2,199,006	2,097,450	0	0	2,199,006	2,097,450
Unrestricted	<u>1,293,002</u>	<u>1,268,025</u>	<u>2,174,543</u>	<u>1,984,299</u>	<u>3,467,545</u>	<u>3,252,324</u>
Total net position	<u>\$10,065,870</u>	<u>\$10,158,798</u>	<u>\$13,122,029</u>	<u>\$13,092,658</u>	<u>\$23,187,899</u>	<u>\$23,251,456</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows by \$23,187,899. At year-end, net position was \$10,065,870 and \$13,122,029 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 75.6% 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, 2014, was \$6,573,862 and \$10,947,486 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

City of Bellbrook, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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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, \$2,199,006, 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 \$1,293,002 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 2014 compared to 2013.

	Governmental activities		Business-type activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues:						
Charges for services	\$204,825	\$197,754	\$1,948,958	\$2,035,927	\$2,153,783	\$2,233,681
Operating grants and contributions	435,076	433,026	0	0	435,076	433,026
Capital grants and contributions	100,000	484,782	0	119,211	100,000	603,993
General revenues:						
Property taxes	2,657,872	2,595,631	0	0	2,657,872	2,595,631
Estate taxes	0	73,343	0	0	0	73,343
Grants and other contributions not restricted to specific programs	634,801	627,580	0	0	634,801	627,580
Investment earnings	12,821	5,377	0	0	12,821	5,377
Gain/(loss) on sale of capital assets	18,351	16,316	0	0	18,351	16,316
Miscellaneous	<u>75,680</u>	<u>70,893</u>	<u>0</u>	<u>0</u>	<u>75,680</u>	<u>70,893</u>
Total revenues	<u>4,139,426</u>	<u>4,504,702</u>	<u>1,948,958</u>	<u>2,155,138</u>	<u>6,088,384</u>	<u>6,659,840</u>
Expenses						
General government	491,081	476,789	0	0	491,081	476,789
Public Safety	3,038,920	2,899,551	0	0	3,038,920	2,899,551
Community environment	93,779	80,700	0	0	93,779	80,700
Recreation	17,221	11,865	0	0	17,221	11,865
Transportation	591,353	823,722	0	0	591,353	823,722
Waste collection	0	0	424,059	423,364	424,059	423,364
Water	<u>0</u>	<u>0</u>	<u>1,495,528</u>	<u>1,574,070</u>	<u>1,495,528</u>	<u>1,574,070</u>
Total expenses	<u>4,232,354</u>	<u>4,292,627</u>	<u>1,919,587</u>	<u>1,997,434</u>	<u>6,151,941</u>	<u>6,290,061</u>
Change in net position	<u>\$(92,928)</u>	<u>\$212,075</u>	<u>\$29,371</u>	<u>\$157,704</u>	<u>\$(63,557)</u>	<u>\$369,779</u>

City of Bellbrook, Ohio

Management’s Discussion and Analysis
For the Year Ended December 31, 2014
(UNAUDITED)

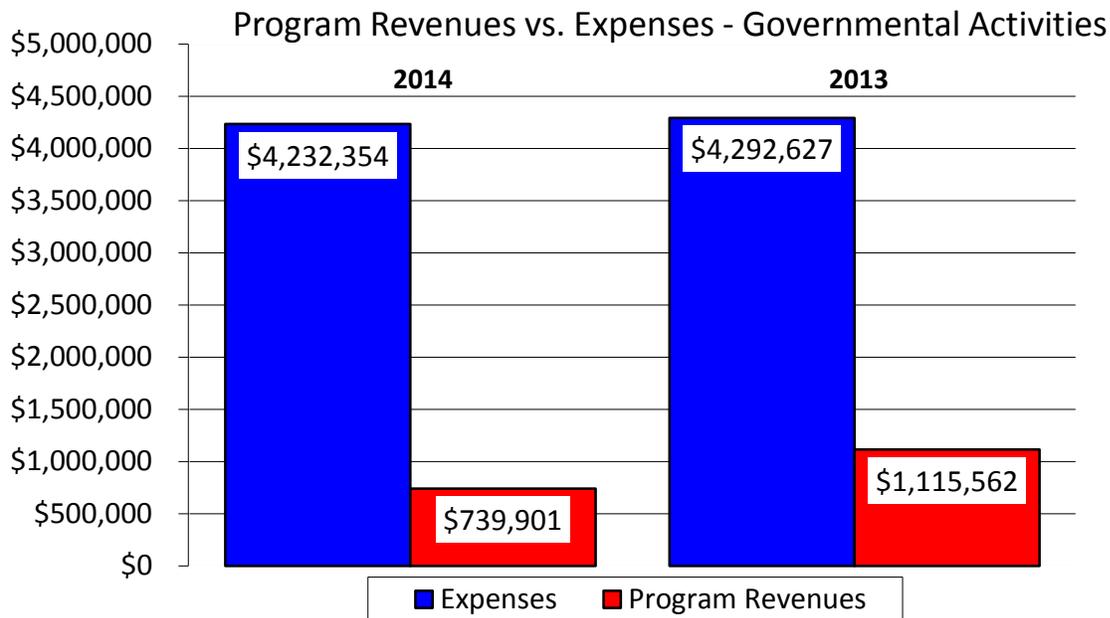
Governmental Activities

Governmental activities net position decreased \$92,928 in 2014. Public safety which primarily supports the operations of the police and fire department accounted for \$3,038,920 or 71.8% of the total governmental activity expenses of the City. Public safety expenses were partially funded by \$121,897 in direct charges to users of the services. General government expenses totaled \$491,081. General government expenses were partially funded by \$75,952 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$435,076 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$418,408 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,399,525, and amounted to 82.1% of total governmental revenues. The primary source of these general revenues is property taxes of \$2,657,872. 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 \$634,801.

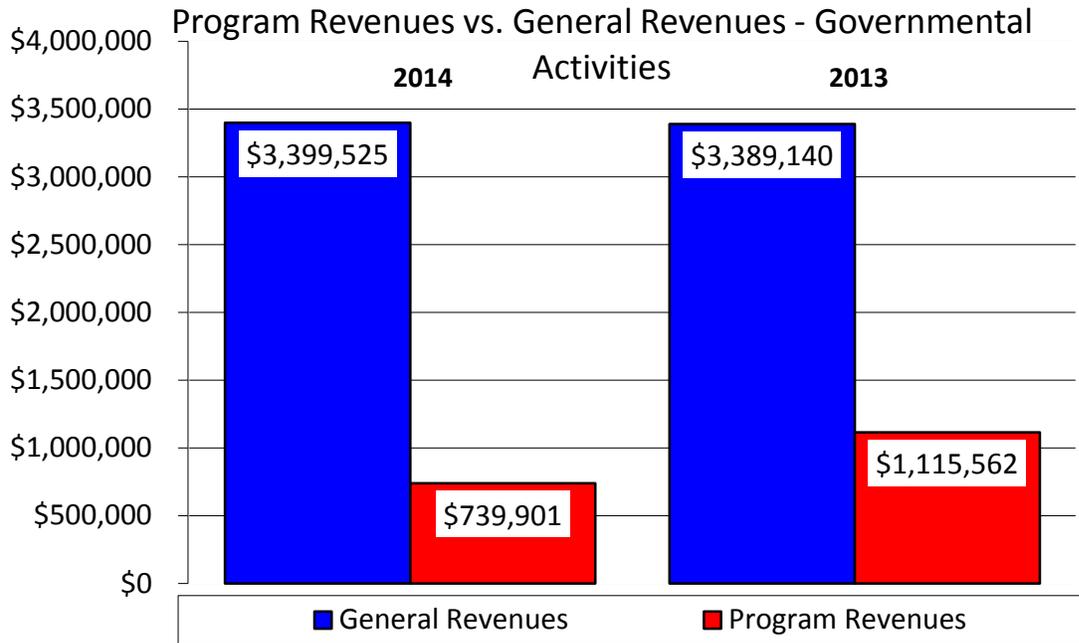
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total expenses and program revenues. The difference identifies the cost of these services supported by tax revenue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



City of Bellbrook, Ohio

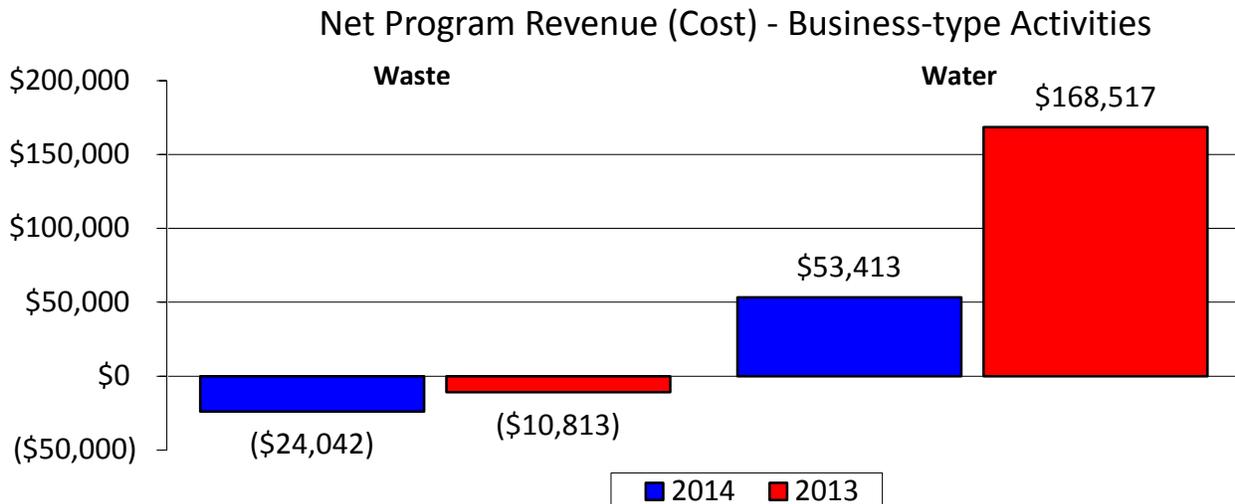
**Management's Discussion and Analysis
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(UNAUDITED)**

The dependence upon general revenues for governmental activities is apparent, with 82.52% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2014 and 2013.



Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$1,948,958 and expenses of \$1,919,587 for 2014. The graph below shows the net program revenue (cost) for each business-type activity:



City of Bellbrook, Ohio

Management's Discussion and Analysis
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Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 reported a combined fund balance of \$3,228,539 which is \$108,953 above last year's total of \$3,119,586. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and non-major governmental funds.

	Fund Balance <u>12/31/14</u>	Fund Balance <u>12/31/13</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$1,225,188	\$1,191,703	\$33,485
Street	139,975	140,382	(407)
Police	108,332	94,849	13,483
Fire	194,067	175,949	18,118
Capital improvement	1,414,365	1,401,672	12,693
Other non-major governmental funds	<u>146,612</u>	<u>115,031</u>	<u>31,581</u>
Total	<u>\$3,228,539</u>	<u>\$3,119,586</u>	<u>\$108,953</u>

The City's **general fund** balance increased \$33,485. The table that follows assists in illustrating the revenues of the general fund.

	2014 <u>Amount</u>	2013 <u>Amount</u>	Percentage <u>Change</u>
General Fund Revenues:			
Local taxes	\$ 574,334	\$ 583,688	-1.6%
Intergovernmental	179,661	257,494	-30.2%
Special assessments	1,942	3,227	-39.8%
Charges for services	33,808	33,589	0.7%
Fines, licenses & permits	150,320	163,027	-7.8%
Investment income	12,811	5,367	138.7%
Miscellaneous receipts	<u>52,641</u>	<u>8,996</u>	485.2%
Total	<u>\$1,005,517</u>	<u>\$1,055,388</u>	-4.7%

City of Bellbrook, Ohio

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General Fund Expenditures:			
General government	\$411,988	\$400,665	2.8%
Public safety	10,711	10,684	0.3%
Community environment	82,112	82,689	-0.7%
Recreation	17,221	11,865	45.1%
Other financing uses:			
Transfers out	<u>450,000</u>	<u>500,000</u>	-10.0%
Total	<u>\$972,032</u>	<u>\$1,005,903</u>	-3.4%

During 2014 the City decreased total expenditures and other financing uses by 3.4%. The largest expenditure category, general government, increased 2.8% due primarily to additional services and maintenance in 2014. Recreation expenditures increased 45.1% due to a new program started by the Museum Board. Transfers out decreased due to a lower transfer to the police fund in 2014.

The **street fund** had revenues of \$317,571 in 2014. The expenditures of the street fund, totaled \$317,978 in 2014. The net decrease in fund balance for the street fund was \$407 or -0.3%.

The **police fund** had revenues and other financing sources of \$1,653,181 in 2014. The expenditures of the police fund totaled \$1,639,698 in 2014. The net increase in fund balance for the police fund was \$13,483 or 14.2%. The increase can be attributed to a turnover in personnel in 2014.

The **fire fund** had revenues and other financing sources of \$1,068,354 in 2014. The expenditures of the fire fund totaled \$1,050,236 in 2014. The net increase in fund balance for the fire fund was \$18,118 or 10.3%. The increase can be attributed to personnel changes in 2014.

The **capital improvement fund** had revenues other financing sources of \$401,765 in 2014. The expenditures of the capital improvement fund totaled \$389,072 in 2014. The net increase in fund balance for the capital improvement fund was \$12,693 or 0.9%. The fund balance is accumulated in anticipation of future significant capital projects.

General Fund Budgetary Highlights

General fund appropriations were increased by \$45,616 in 2014 primarily because road salt was required to be purchased before the end of the year. Actual expenditures were \$16,494 less

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2014
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than the final appropriations. In addition, actual revenues were less than budgetary estimates by \$7,648 due primarily to the timing of receipts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the City had \$19,067,461 (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, \$6,573,862 was reported in governmental activities and \$12,493,599 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, 2014 and 2013:

	Business-type Activities	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 485,000	\$ 550,000
OPWC loans	<u>1,061,113</u>	<u>1,142,286</u>
Total	<u>\$1,546,113</u>	<u>\$1,692,286</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 2014, there were two active housing developments underway. New single-family housing permits remained steady in 2014. 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

City of Bellbrook, Ohio

**Management's Discussion and Analysis
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that the City currently receives. These cuts began to impact the City finances in 2011, but the full effect of their impact is now being felt. The State's current and next proposed biennial budgets do 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.

Contacting the City's Financial Management

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

**City of Bellbrook
Statement of Net Position
December 31, 2014**

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 3,127,850	\$ 1,884,866	\$ 5,012,716
Cash and cash equivalents with fiscal agents	27,524	-	27,524
Receivables (net):			
Taxes	2,588,002	-	2,588,002
Accounts	53,259	309,059	362,318
Intergovernmental	456,594	-	456,594
Interest	2,061	-	2,061
Special assessments	3,478	4,119	7,597
Inventory	77,370	95,865	173,235
Prepaid items	43,541	16,925	60,466
Capital assets:			
Non-depreciable capital assets	262,230	617,870	880,100
Depreciable capital assets, net	6,311,632	11,875,729	18,187,361
Total assets	\$ 12,953,541	\$ 14,804,433	\$ 27,757,974
Liabilities			
Accounts payable	\$ 17,617	\$ 38,222	\$ 55,839
Accrued liabilities	102,472	28,881	131,353
Due to other governments	67,787	13,798	81,585
Unearned revenue	-	21,991	21,991
Accrued interest payable	-	1,860	1,860
Noncurrent liabilities:			
Due within one year	128,031	172,712	300,743
Due in more than one year	32,303	1,404,940	1,437,243
Total liabilities	348,210	1,682,404	2,030,614
Deferred Inflows of Resources			
Property taxes	2,539,461	-	2,539,461
Total deferred inflows of resources	2,539,461	-	2,539,461
Net Position			
Net investment in capital assets	6,573,862	10,947,486	17,521,348
Restricted for:			
Capital improvement	1,414,365	-	1,414,365
Public safety	385,281	-	385,281
Streets & highways	395,842	-	395,842
Other purposes	3,518	-	3,518
Unrestricted	1,293,002	2,174,543	3,467,545
Total net position	\$ 10,065,870	\$ 13,122,029	\$ 23,187,899

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Activities
For the Year Ended December 31, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 491,081	\$ 75,952	\$ -	\$ -	\$ (415,129)	\$ (415,129)
Public safety	3,038,920	121,897	16,668	100,000	(2,800,355)	(2,800,355)
Community environment	93,779	6,976	-	-	(86,803)	(86,803)
Recreation	17,221	-	-	-	(17,221)	(17,221)
Transportation	591,353	-	418,408	-	(172,945)	(172,945)
Total governmental activities	<u>4,232,354</u>	<u>204,825</u>	<u>435,076</u>	<u>100,000</u>	<u>(3,492,453)</u>	<u>(3,492,453)</u>
Business-type activities:						
Waste collection	424,059	400,017	-	-	\$ (24,042)	(24,042)
Water	1,495,528	1,548,941	-	-	53,413	53,413
Total business-type activities	<u>1,919,587</u>	<u>1,948,958</u>	<u>-</u>	<u>-</u>	<u>29,371</u>	<u>29,371</u>
Total	<u>\$ 6,151,941</u>	<u>\$ 2,153,783</u>	<u>\$ 435,076</u>	<u>\$ 100,000</u>	<u>(3,492,453)</u>	<u>(3,463,082)</u>
General revenues:						
Taxes:						
Property taxes					2,657,872	2,657,872
Grants and contributions not restricted to specific programs					634,801	634,801
Investment earnings					12,821	12,821
Gain on sale/disposal of capital assets					18,351	18,351
Miscellaneous					75,680	75,680
Total general revenues and transfers					<u>3,399,525</u>	<u>3,399,525</u>
Change in net position					(92,928)	29,371
Net position - beginning					<u>10,158,798</u>	<u>13,092,658</u>
Net position - ending					<u>\$ 10,065,870</u>	<u>\$ 13,122,029</u>

See Notes to the Basic Financial Statements.

**City of Bellbrook
Balance Sheet
Governmental Funds
December 31, 2014**

	General	Street	Police	Fire	Capital Improvements	Non-major Govern- mental Funds	Total Governmental Funds
Assets							
Pooled cash and investments	\$1,189,805	\$ 86,507	\$ 158,281	\$ 230,241	\$ 1,383,856	\$ 79,160	\$ 3,127,850
Receivables (net):							
Taxes	562,234	-	1,266,466	716,918	-	42,384	2,588,002
Accounts	31,059	-	-	22,200	-	-	53,259
Intergovernmental	100,069	146,712	105,340	58,072	2,985	43,416	456,594
Interest	2,061	-	-	-	-	-	2,061
Special assessments	-	3,478	-	-	-	-	3,478
Inventory	-	18,637	3,572	528	-	54,633	77,370
Prepaid items	16	24	32,123	11,378	-	-	43,541
Restricted assets:							
Cash and cash equivalents with fiscal agent	-	-	-	-	27,524	-	27,524
Total assets	\$1,885,244	\$ 255,358	\$1,565,782	\$1,039,337	\$ 1,414,365	\$ 219,593	\$ 6,379,679
Liabilities							
Accounts payable	\$ 10,594	\$ -	\$ 1,173	\$ 5,782	\$ -	\$ 68	\$ 17,617
Accrued liabilities	8,564	10,556	50,371	32,981	-	-	102,472
Due to other governments	5,369	4,615	36,916	20,887	-	-	67,787
Total liabilities	24,527	15,171	88,460	59,650	-	68	187,876
Deferred Inflows of Resources							
Property taxes	562,234	-	1,266,466	716,918	-	42,384	2,588,002
Unavailable revenue	73,295	100,212	102,524	68,702	-	30,529	375,262
Total deferred inflows of resources	635,529	100,212	1,368,990	785,620	-	72,913	2,963,264
Fund Balances							
Nonspendable: Inventory and prepaids	16	18,661	35,695	11,906	-	54,633	120,911
Restricted for:							
Public safety	-	-	72,637	182,161	-	686	255,484
Transportation	-	121,314	-	-	27,524	87,775	236,613
Committed to:							
Transportation	-	-	-	-	-	3,518	3,518
Assigned to:							
Public safety	-	-	-	-	11,776	-	11,776
Other capital projects	-	-	-	-	1,375,065	-	1,375,065
Unassigned	1,225,172	-	-	-	-	-	1,225,172
Total fund balances	1,225,188	139,975	108,332	194,067	1,414,365	146,612	3,228,539
Total liabilities, deferred inflows of resources and fund balances	\$1,885,244	\$ 255,358	\$1,565,782	\$1,039,337	\$ 1,414,365	\$ 219,593	\$ 6,379,679

See Notes to the Basic Financial Statements.

**City of Bellbrook
 Reconciliation of Total
 Governmental Fund Balances to Net
 Position of Governmental Activities
 December 31, 2014**

Total governmental fund balances \$ 3,228,539

*Amounts reported for governmental activities in the statement
 of net position are different because:*

Capital assets used in governmental
 activities are not financial resources and
 therefore are not reported in the funds. 6,573,862

Other long-term assets are not available to pay for current period
 expenditures and therefore are deferred in the funds:

Property taxes receivable	48,541
Accounts receivable	10,630
Intergovernmental receivable	361,154
Special assessment receivable	3,478

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

Compensated absences	(160,334)
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Net position of governmental activities	\$ 10,065,870
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See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Street	Police	Fire	Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
Revenues							
Local taxes	\$ 574,334	\$ -	\$ 1,292,710	\$ 731,109	\$ -	43,536	\$ 2,641,689
Intergovernmental revenues	179,661	299,877	220,029	118,728	138,025	87,624	1,043,944
Special assessments	1,942	-	-	-	-	-	1,942
Charges for services	33,808	-	-	95,729	-	-	129,537
Fines, licenses and permits	150,320	-	-	-	-	-	150,320
Investment income	12,811	-	-	-	-	-	12,811
Miscellaneous receipts	52,641	17,694	37,263	21,356	-	2,085	131,039
<i>Total revenues</i>	<u>1,005,517</u>	<u>317,571</u>	<u>1,550,002</u>	<u>966,922</u>	<u>138,025</u>	<u>133,245</u>	<u>4,111,282</u>
Expenditures							
Current:							
General government	411,988	-	-	-	-	728	412,716
Public safety	10,711	-	1,639,698	1,050,236	-	50,784	2,751,429
Community environment	82,112	-	-	-	-	-	82,112
Recreation	17,221	-	-	-	-	-	17,221
Transportation	-	317,978	-	-	-	50,152	368,130
Capital outlay	-	-	-	-	389,072	-	389,072
<i>Total expenditures</i>	<u>522,032</u>	<u>317,978</u>	<u>1,639,698</u>	<u>1,050,236</u>	<u>389,072</u>	<u>101,664</u>	<u>4,020,680</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>483,485</u>	<u>(407)</u>	<u>(89,696)</u>	<u>(83,314)</u>	<u>(251,047)</u>	<u>31,581</u>	<u>90,602</u>
Other financing sources (uses)							
Transfers in	-	-	100,000	100,000	250,000	-	450,000
Transfers out	(450,000)	-	-	-	-	-	(450,000)
Sale of capital assets	-	-	3,179	1,432	13,740	-	18,351
<i>Total other financing sources (uses)</i>	<u>(450,000)</u>	<u>-</u>	<u>103,179</u>	<u>101,432</u>	<u>263,740</u>	<u>-</u>	<u>18,351</u>
Net change in fund balances	33,485	(407)	13,483	18,118	12,693	31,581	108,953
Fund balances, beginning of year	1,191,703	140,382	94,849	175,949	1,401,672	115,031	3,119,586
Fund balances, end of year	<u>\$ 1,225,188</u>	<u>\$ 139,975</u>	<u>\$ 108,332</u>	<u>\$ 194,067</u>	<u>\$ 1,414,365</u>	<u>\$ 146,612</u>	<u>\$ 3,228,539</u>

See Notes to the Basic Financial Statements.

**City of Bellbrook
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2014**

Net change in fund balances - total governmental funds \$ 108,953

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	287,218
Current year depreciation	(461,778)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins and donations) is to decrease net position. (44,901)

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

Property taxes	16,183
Charges for services	(10,677)
Intergovernmental revenue	3,164
Special assessments	1,123

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. 7,787

Change in net position of governmental activities \$ (92,928)

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Net Position
Proprietary Funds
December 31, 2014**

	Business-type Activities		
	Waste Collection	Water	Totals
Assets			
Current assets:			
Pooled cash and investments	\$ 249,231	\$ 1,635,635	\$ 1,884,866
Receivables (net):			
Accounts	8	309,051	309,059
Special assessments	-	4,119	4,119
Inventory	-	95,865	95,865
Prepaid items	2	16,923	16,925
Total current assets	249,241	2,061,593	2,310,834
Noncurrent assets:			
Capital assets:			
Non-depreciable capital assets	-	617,870	617,870
Depreciable capital assets, net	17,504	11,858,225	11,875,729
Total noncurrent assets	17,504	12,476,095	12,493,599
<i>Total assets</i>	\$ 266,745	\$ 14,537,688	\$ 14,804,433
Liabilities			
Current liabilities:			
Accounts payable	\$ 31,960	\$ 6,262	\$ 38,222
Accrued liabilities	1,065	27,816	28,881
Compensated absences	690	30,849	31,539
Due to other governments	119	13,679	13,798
Current portion of OPWC loans	-	81,173	81,173
Current portion of general obligation bonds	-	60,000	60,000
Accrued interest payable	-	1,860	1,860
Unearned revenue	21,991	-	21,991
Total current liabilities	55,825	221,639	277,464
Noncurrent liabilities:			
General obligation bonds	-	425,000	425,000
OPWC loans	-	979,940	979,940
Total noncurrent liabilities	-	1,404,940	1,404,940
<i>Total liabilities</i>	55,825	1,626,579	1,682,404
Net position			
Net investment in capital assets	17,504	10,929,982	10,947,486
Unrestricted	193,416	1,981,127	2,174,543
<i>Total net position</i>	\$ 210,920	\$ 12,911,109	\$ 13,122,029

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Revenue, Expenses and Changes
In Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities		
	Waste Collection	Water	Totals
Operating revenues			
Charges for services	\$ 397,132	\$ 1,531,317	\$ 1,928,449
Other revenue	<u>2,885</u>	<u>17,624</u>	<u>20,509</u>
<i>Total operating revenues</i>	<u>400,017</u>	<u>1,548,941</u>	<u>1,948,958</u>
Operating expenses			
Personal services	23,277	706,810	730,087
Purchased services	384,413	253,231	637,644
Supplies and materials	-	159,392	159,392
Capital outlay	-	-	-
Other expenses	5,122	4,870	9,992
Depreciation	<u>11,247</u>	<u>359,630</u>	<u>370,877</u>
<i>Total operating expenses</i>	<u>424,059</u>	<u>1,483,933</u>	<u>1,907,992</u>
Operating income (loss)	<u>(24,042)</u>	<u>65,008</u>	<u>40,966</u>
Nonoperating revenues (expenses)			
Interest expense	<u>-</u>	<u>(11,595)</u>	<u>(11,595)</u>
<i>Total nonoperating revenues (expenses)</i>	<u>-</u>	<u>(11,595)</u>	<u>(11,595)</u>
Change in net position	(24,042)	53,413	29,371
Net position at beginning of year	<u>234,962</u>	<u>12,857,696</u>	<u>13,092,658</u>
Net position at end of year	<u>\$ 210,920</u>	<u>\$ 12,911,109</u>	<u>\$ 13,122,029</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities		
	Waste Collection	Water	Total
Cash flows from operating activities:			
Cash received from customers	\$ 398,253	\$ 1,531,091	\$ 1,929,344
Cash paid to employees	(26,950)	(733,277)	(760,227)
Cash paid to suppliers of goods and services	(389,271)	(484,679)	(873,950)
Other receipts	2,885	17,624	20,509
Net cash provided (used) by operating activities	<u>(15,083)</u>	<u>330,759</u>	<u>315,676</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(63,831)	(63,831)
Principal retirement on revenue bonds	-	(65,000)	(65,000)
Principal retirement on OPWC loans	-	(81,173)	(81,173)
Interest and fiscal charges	-	(11,812)	(11,812)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(221,816)</u>	<u>(221,816)</u>
Increase (decrease) in cash and cash equivalents	(15,083)	108,943	93,860
Cash and cash equivalents at beginning of year	<u>264,314</u>	<u>1,526,692</u>	<u>1,791,006</u>
Cash and cash equivalents at end of year	<u>\$ 249,231</u>	<u>\$ 1,635,635</u>	<u>\$ 1,884,866</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (24,042)</u>	<u>\$ 65,008</u>	<u>\$ 40,966</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,247	359,630	370,877
Change in operating assets and liabilities:			
(Increase) decrease in receivables	1,135	(226)	909
(Increase) decrease in prepaid items	10	(11,233)	(11,223)
(Increase) decrease in inventories	-	(54,392)	(54,392)
Increase (decrease) in liabilities	(3,433)	(28,028)	(31,461)
Total adjustments	<u>8,959</u>	<u>265,751</u>	<u>274,710</u>
Net cash provided (used) by operating activities	<u>\$ (15,083)</u>	<u>\$ 330,759</u>	<u>\$ 315,676</u>

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2014

	<u>Agency Fund</u>
Assets	
Pooled cash and cash equivalents	<u>\$ 42,146</u>
Liabilities	
Undistributed monies	<u>\$ 42,146</u>

See Notes to the Basic Financial Statements.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The statement of net 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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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.

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).

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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.

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 inflows arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows also arise 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 inflows is removed from the balance sheet and the revenue is recognized.

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

Proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. Proprietary funds distinguish operating revenues

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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 2014 amounted to \$12,811, which includes \$9,788 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.

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

fair market values as of the date received. During 2014, 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
Buildings & 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.

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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:

Nonspendable – The nonspendable 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 nonspendable fund balances for the City includes materials and supplies inventory, cash and cash equivalents with fiscal agents and principal portion of cemetery bequest.

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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 end 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 plus deferred outflows and liabilities plus deferred inflows. 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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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."

Deposits – At December 31, 2014, the bank balance of the City's cash deposits was \$3,869,827. As of December 31, 2014, \$2,946,738 of the City's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and \$923,089 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.

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 2014. 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, 2014.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

As of December 31, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)	
		<u>Less than 1</u>	<u>1-5</u>
Federal National Mortgage Association Bonds	\$399,152	\$200,371	\$ 198,781
Federal Farm Credit Bonds	418,072	0	418,072
Federal Home Loan Mortgage Corporation Bonds	204,693	0	204,693
Federal Home Loan Bank Bonds	199,616	0	199,616
Schwab Money Market	4,766	4,766	0
STAR Ohio	<u>2,213</u>	<u>2,213</u>	<u>0</u>
	\$1,228,512	\$207,350	\$1,021,162

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, 2014, 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, 2014:

<u>Investment Type</u>	<u>% of Total</u>
Federal National Mortgage Association Bonds	32.49%
Federal Farm Credit Bonds	34.03%
Federal Home Loan Mortgage Corporation Bonds	16.66%
Federal Home Loan Bank Bonds	16.25%
Schwab Money Market	0.39%
STAR Ohio	0.18%

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Cash with Fiscal Agent - At year-end, the City had \$27,524 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, 2014. This amount is not included in the City's depository balance.

3. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported in the fund financial statements:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 0	\$450,000
Police	100,000	0
Fire	100,000	0
Capital improvements	<u>250,000</u>	<u>0</u>
Total	<u>\$450,000</u>	<u>\$450,000</u>

The transfers from the General Fund are used to support the operating costs of the Police and Fire Funds and capital acquisitions in the Capital Improvements Fund.

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property taxes are levied each December 31st on the assessed value listed as of the prior December 31st. Assessed values are established for real property at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2014.

The property tax calendar is as follows:

Levy date	December 31, 2013
Lien date	December 31, 2013
First installment payment due	February 15, 2014
Second installment payment due	July 15, 2014

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, 2014 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Real estate	\$164,630,710
Public utility tangible personal property	<u>3,631,750</u>
Total	<u>\$168,262,460</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ <u>262,230</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>262,230</u>
Subtotal	<u>262,230</u>	<u>0</u>	<u>0</u>	<u>262,230</u>
<i>Capital assets being depreciated:</i>				
Land improvements	266,319	0	0	266,319
Buildings and improvements	3,066,002	0	0	3,066,002
Machinery and equipment	788,950	15,000	(163,284)	640,666
Vehicles	1,815,879	114,184	(98,134)	1,831,929
Infrastructure	<u>4,380,796</u>	<u>158,034</u>	<u>0</u>	<u>4,538,830</u>
Subtotal	<u>10,317,946</u>	<u>287,218</u>	<u>(261,418)</u>	<u>10,343,746</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(246,292)	(4,687)	0	(250,979)
Building and improvements	(1,071,030)	(64,337)	0	(1,135,367)
Machinery and equipment	(519,780)	(61,458)	118,383	(462,855)
Vehicles	(1,103,284)	(122,891)	98,134	(1,128,041)
Infrastructure	<u>(846,467)</u>	<u>(208,405)</u>	<u>0</u>	<u>(1,054,872)</u>
Subtotal	<u>(3,786,853)</u>	<u>(461,778)</u>	<u>216,517</u>	<u>(4,032,114)</u>
Net capital assets	<u>\$6,793,323</u>	<u>\$(174,560)</u>	<u>\$(44,901)</u>	<u>\$6,573,862</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 74,392
Public safety	161,647
Transportation	<u>225,739</u>
Total governmental activities depreciation expense	<u>\$461,778</u>

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

<i>Business-type Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 604,370	\$ 0	\$ 0	\$ 604,370
Construction in progress	<u>0</u>	<u>13,500</u>	<u>0</u>	<u>13,500</u>
Subtotal	<u>604,370</u>	<u>0</u>	<u>0</u>	<u>617,870</u>
<i>Capital assets being depreciated:</i>				
Land improvements	29,958	0	0	29,958
Utility structures in service	14,213,709	0	0	14,213,709
Buildings and improvements	5,177,763	0	0	5,177,763
Machinery and equipment	418,235	50,331	0	468,566
Vehicles	<u>159,748</u>	<u>0</u>	<u>0</u>	<u>159,748</u>
Subtotal	<u>19,999,413</u>	<u>50,331</u>	<u>0</u>	<u>20,049,744</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(27,474)	(1,091)	0	(28,565)
Utility structures in service	(6,148,720)	(193,806)	0	(6,342,526)
Building and improvements	(1,305,467)	(122,372)	0	(1,427,839)
Machinery and equipment	(239,644)	(38,194)	0	(277,838)
Vehicles	<u>(81,833)</u>	<u>(15,414)</u>	<u>0</u>	<u>(97,247)</u>
Subtotal	<u>(7,803,138)</u>	<u>(370,877)</u>	<u>0</u>	<u>(8,174,015)</u>
Net capital assets	<u>\$12,800,645</u>	<u>\$(307,046)</u>	<u>\$ 0</u>	<u>\$12,493,599</u>

Depreciation was charged to business-type activities as follows:

Waste collection	\$ 11,247
Water	<u>359,630</u>
Total business-type activities depreciation expense	<u>\$370,877</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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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 2014, 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:

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 \$31,234 is a good and sufficient provision for incurred but not reported claims as of December 31, 2014. 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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2013	\$(115,914)	\$(262,945)	\$294,050	\$(84,809)
2014	\$(84,809)	\$(159,537)	\$213,112	\$(31,234)

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.

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 2014, 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, 2014, 2013, and 2012 were \$118,889, \$150,447 and \$109,765, respectively; 92% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, 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, 2014, 2013, and 2012 were \$290,039, \$210,891 and \$179,159, respectively; 91% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

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.

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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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 2014, 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 and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. 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, 2014, 2013 and 2012 were \$19,806, \$11,568, and \$43,903, respectively; 92% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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

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

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

Funding Policy - The Ohio Revised Code 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 0.5% of covered payroll from January 1, 2014 through December 31, 2014. 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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The City's contributions allocated to fund post-employment benefits were \$7,135, \$47,599 and \$85,159 for the years ended December 31, 2014, 2013 and 2012, respectively; 91% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

9. LONG-TERM OBLIGATIONS

- A. During 2014, the following changes occurred in the governmental activities long-term obligations:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due within One Year
<i>Governmental-type Activities:</i>					
Compensated Absences	\$168,121	\$160,334	\$(168,121)	\$160,334	\$128,031
Total	<u>\$168,121</u>	<u>\$160,334</u>	<u>\$(168,121)</u>	<u>\$160,334</u>	<u>\$128,031</u>

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 2014, the following changes occurred in the business-type activities long-term obligations:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due within One Year
<i>Business-type Activities:</i>					
<u>General obligation bonds</u>					
Waterworks system					
2012 2.00-2.65%	\$550,000	\$ 0	\$(65,000)	485,000	60,000
<u>Ohio Public Works Commission loan</u>					
Elevated water storage tank					
1995 0.00%	75,000	0	(25,000)	50,000	25,000
Water treatment plant improvements					
2010 0.00%	1,067,286	0	(56,173)	1,011,113	56,173
Compensated Absences	49,680	31,539	(49,680)	31,539	31,539
Total	<u>\$1,741,966</u>	<u>\$31,539</u>	<u>\$(195,853)</u>	<u>\$1,577,652</u>	<u>\$172,712</u>

- C. A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2014, follows:

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Year Ending December 31,	General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	Interest
2015	60,000	10,562	81,173	0
2016	65,000	9,312	81,173	0
2017	65,000	8,013	56,173	0
2018	70,000	6,663	56,173	0
2019	75,000	4,969	56,173	0
2020-2024	150,000	3,976	280,865	0
2025-2029	0	0	280,865	0
2030-2032	0	0	168,518	0
	<u>\$485,000</u>	<u>\$43,495</u>	<u>\$1,061,113</u>	<u>\$ 0</u>

D. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2014, the City's total debt margin was \$17,667,558 and the unvoted debt margin was \$9,254,435.

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, 2014, 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, 2014, 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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2014

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	\$11,233,272

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, 2014, 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 to JHP.

11. CONTINGENCIES

Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2014.

12. SUBSEQUENT EVENTS

In April 2015, the City entered into a contract with GM Pipeline, Inc. for a water main installation project. The contract cost was \$506,203.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 585,625	\$ 574,334	\$ 574,334	\$ -
Intergovernmental revenues	178,785	180,496	179,314	(1,182)
Charges for services	36,000	36,000	35,750	(250)
Fines, licenses, and permits	162,500	150,500	150,084	(416)
Interest earned	13,000	8,000	7,906	(94)
Miscellaneous and reimbursements	4,000	48,500	42,794	(5,706)
Total revenues	<u>979,910</u>	<u>997,830</u>	<u>990,182</u>	<u>(7,648)</u>
Expenditures:				
Current:				
General government	385,244	428,210	414,238	13,972
Public safety	10,750	10,750	10,711	39
Community environment	84,962	85,112	83,507	1,605
Recreation	15,545	18,045	17,167	878
Total expenditures	<u>496,501</u>	<u>542,117</u>	<u>525,623</u>	<u>16,494</u>
Excess (deficiency) of revenues over expenditures	483,409	455,713	464,559	8,846
Other financing sources (uses):				
Transfers (out)	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	33,409	5,713	14,559	8,846
Fund balance at beginning of year	<u>1,178,646</u>	<u>1,178,646</u>	<u>1,178,646</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,212,055</u>	<u>\$ 1,184,359</u>	<u>\$ 1,193,205</u>	<u>\$ 8,846</u>

See Notes to the Required Supplementary Information.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
Street Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 297,000	\$ 297,000	\$ 298,083	\$ 1,083
Miscellaneous and reimbursements	7,500	16,300	17,694	1,394
Total revenues	<u>304,500</u>	<u>313,300</u>	<u>315,777</u>	<u>2,477</u>
Expenditures:				
Current:				
Transportation	<u>334,930</u>	<u>349,730</u>	<u>333,126</u>	<u>16,604</u>
Total expenditures	<u>334,930</u>	<u>349,730</u>	<u>333,126</u>	<u>16,604</u>
Excess (deficiency) of revenues over expenditures	(30,430)	(36,430)	(17,349)	19,081
Fund balance at beginning of year	<u>103,857</u>	<u>103,857</u>	<u>103,857</u>	<u>-</u>
Fund balance at end of year	<u>\$ 73,427</u>	<u>\$ 67,427</u>	<u>\$ 86,508</u>	<u>\$ 19,081</u>

See Notes to the Required Supplementary Information.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
Police Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 1,313,875	\$ 1,292,710	\$ 1,292,710	\$ -
Intergovernmental revenues	199,125	218,585	217,831	(754)
Miscellaneous and reimbursements	<u>25,500</u>	<u>27,700</u>	<u>40,442</u>	<u>12,742</u>
Total revenues	1,538,500	1,538,995	1,550,983	11,988
Expenditures:				
Current:				
Public safety	<u>1,746,756</u>	<u>1,722,406</u>	<u>1,696,078</u>	<u>26,328</u>
Total expenditures	<u>1,746,756</u>	<u>1,722,406</u>	<u>1,696,078</u>	<u>26,328</u>
Excess (deficiency) of revenues over expenditures	(208,256)	(183,411)	(145,095)	38,316
Other financing sources (uses):				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(108,256)	(83,411)	(45,095)	38,316
Fund balance at beginning of year	<u>190,994</u>	<u>190,994</u>	<u>190,994</u>	<u>-</u>
Fund balance at end of year	<u>\$ 82,738</u>	<u>\$ 107,583</u>	<u>\$ 145,899</u>	<u>\$ 38,316</u>

See Notes to the Required Supplementary Information.

City of Bellbrook
Required Supplementary Information
Schedule of Revenue, Expenditures, & Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis
Fire Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local taxes	\$ 743,750	\$ 731,109	\$ 731,109	\$ -
Intergovernmental revenues	116,500	118,718	118,728	10
Charges for services	100,000	100,000	101,315	1,315
Miscellaneous and reimbursements	7,850	9,550	22,788	13,238
Total revenues	968,100	959,377	973,940	14,563
Expenditures:				
Current:				
Public safety	1,169,540	1,104,740	1,058,521	46,219
Total expenditures	1,169,540	1,104,740	1,058,521	46,219
Excess (deficiency) of revenues over expenditures	(201,440)	(145,363)	(84,581)	60,782
Other financing sources (uses):				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	100,000	100,000	100,000	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(101,440)	(45,363)	15,419	60,782
Fund balance at beginning of year	210,831	210,831	210,831	-
Prior year encumbrances appropriated	100	100	100	-
Fund balance at end of year	\$ 109,491	\$ 165,568	\$ 226,350	\$ 60,782

See Notes to the Required Supplementary Information.

City of Bellbrook, Ohio

Notes to the Required Supplementary Information For the Year Ended December 31, 2014

Budgets and Budgetary Accounting

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

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

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

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).

City of Bellbrook, Ohio

Notes to the Required Supplementary Information For the Year Ended December 31, 2014

- 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:

	General Fund	Street Fund	Police Fund	Fire Fund
GAAP basis	\$33,485	\$ (407)	\$13,483	\$18,118
Net adjustment for revenue accruals	(15,335)	(1,794)	(2,198)	5,586
Net adjustment for expenditure accruals	(3,591)	(15,148)	(43,999)	(4,394)
Net adjustment for encumbrances	<u>0</u>	<u>0</u>	<u>(12,381)</u>	<u>(3,891)</u>
Budget basis	<u>\$14,559</u>	<u>\$(17,349)</u>	<u>\$(45,095)</u>	<u>\$15,419</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 Mayor and 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 City of Bellbrook, Greene County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 14, 2015.

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*.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 14, 2015



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
SEPTEMBER 17, 2015**