



Dave Yost • Auditor of State

**CITY OF BELLBROOK
GREENE COUNTY
DECEMBER 31, 2017**

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CITY OF BELLBROOK
GREENE COUNTY
DECEMBER 31, 2017

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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 City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Greene County, Ohio (the City), as of and for the year ended December 31, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Greene County, Ohio, as of December 31, 2017, 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*, *Required budgetary comparison schedules* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 19, 2018

City of Bellbrook, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2017 (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, 2017. 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 2017 are as follows:

- The total net position of the City increased \$269,902 or 1.29%. Net position of governmental activities decreased \$164,518 or -2.32% and net position of business-type activities increased \$434,420 or 3.15%.
- Unrestricted net position of the City increased \$169,302 or 48.64%. Unrestricted net position of governmental activities increased \$41,258 or 2.92% and unrestricted net position of business-type activities increased \$128,044 or 7.27%.
- Total revenues increased \$52,860 or 0.77%. Revenues of governmental activities decreased \$17,187 or -0.39% and revenues of business-type activities increased \$70,047 or 2.81%.
- Total expenses decreased \$78,537 or -1.16%. Expenses of governmental activities decreased \$234,803 or -4.92% and expenses of business-type activities increased \$156,266 or 7.93%.
- As of December 31, 2017 the City's governmental funds report combined ending fund balances of \$3.04 million. Approximately 40% 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.

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 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

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 taxes 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.

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.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

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.

Government-Wide Financial Analysis

The largest impact on the City's financial statements in 2017 had absolutely no impact on the City's financial condition: GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27." GASB 68 required the City to recognize a pension liability of nearly \$6.0 million. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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 2017 compared to 2016.

Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|--------------------------------|--------------------|---------------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$6,405,111 | \$6,364,448 | \$2,557,180 | \$2,385,071 | \$8,962,291 | \$8,749,519 |
| Capital assets | 7,240,165 | 7,469,141 | 13,475,878 | 13,290,675 | 20,716,043 | 20,759,816 |
| Total assets | <u>13,645,276</u> | <u>13,833,589</u> | <u>16,033,058</u> | <u>15,675,746</u> | <u>29,678,334</u> | <u>29,509,335</u> |
| Deferred outflows of resources | 1,508,187 | 1,721,178 | 333,249 | 230,856 | 1,841,436 | 1,952,034 |
| Current liabilities | 147,867 | 419,163 | 99,444 | 170,969 | 247,311 | 590,132 |
| Non-current liabilities | 5,333,280 | 5,251,079 | 2,027,014 | 1,929,386 | 7,360,294 | 7,180,465 |
| Total liabilities | <u>5,481,147</u> | <u>5,670,242</u> | <u>2,126,458</u> | <u>2,100,355</u> | <u>7,607,605</u> | <u>7,770,597</u> |
| Deferred inflows of resources | 2,751,786 | 2,799,477 | 11,952 | 12,770 | 2,763,738 | 2,812,247 |
| Net Position | | | | | | |
| Net investment in capital assets | 7,240,165 | 7,469,141 | 12,338,284 | 12,031,908 | 19,578,449 | 19,501,049 |
| Restricted | 1,052,575 | 1,029,375 | | | 1,052,575 | 1,029,375 |
| Unrestricted | <u>(1,372,210)</u> | <u>(1,413,468)</u> | <u>1,889,613</u> | <u>1,761,569</u> | <u>517,403</u> | <u>348,101</u> |
| Total Net Position | <u>\$6,920,530</u> | <u>\$7,085,048</u> | <u>\$14,227,897</u> | <u>\$13,793,477</u> | <u>\$21,148,427</u> | <u>\$20,878,525</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$21,148,427. At year-end, net position was \$6,920,530 and \$14,227,897 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 92.58% of total net position. Capital assets include land, construction in progress, land improvements, buildings and improvements, vehicles, utility structures in service, machinery and equipment and infrastructure. Net investment in capital assets at December 31, 2017, was \$7,240,165 and \$12,338,284 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

A portion of the City's net position, \$1,052,575, 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 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 2017 compared to 2016.

| | Changes in Net Position | | | | | |
|---|--------------------------------|--------------------|---------------------------------|------------------|------------------|------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$214,340 | \$191,490 | \$2,124,799 | \$2,092,386 | \$2,339,139 | \$2,283,876 |
| Operating grants and contributions | 423,507 | 399,103 | | | 423,507 | 399,103 |
| Capital grants and contributions | 284,582 | 371,844 | 436,363 | 398,729 | 720,945 | 770,573 |
| General revenues: | | | | | | |
| Property taxes | 2,748,164 | 2,701,968 | | | 2,748,164 | 2,701,968 |
| License taxes | 12,989 | | | | 12,989 | |
| Grant and other contributions not restricted to specific programs | 582,209 | 629,435 | | | 582,209 | 629,435 |
| Investment earnings | 43,764 | 34,673 | | | 43,764 | 34,673 |
| Gain/(loss) on sale of capital assets | 16,000 | 30,727 | | | 16,000 | 30,727 |
| Miscellaneous | 49,283 | 32,785 | | | 49,283 | 32,785 |
| Total revenues | <u>4,374,838</u> | <u>4,392,025</u> | <u>2,561,162</u> | <u>2,491,115</u> | <u>6,936,000</u> | <u>6,883,140</u> |
| Expenses | | | | | | |
| General government | 514,303 | 461,525 | | | 514,303 | 461,525 |
| Public safety | 3,221,560 | 3,578,877 | | | 3,221,560 | 3,578,877 |
| Community environment | 93,415 | 91,702 | | | 93,415 | 91,702 |
| Recreation | 14,714 | 13,426 | | | 14,714 | 13,426 |
| Transportation | 695,364 | 628,629 | | | 695,364 | 628,629 |
| Waste collection | | | 433,143 | 418,939 | 433,143 | 418,939 |
| Water | | | 1,693,599 | 1,551,537 | 1,693,599 | 1,551,537 |
| Total expenses | <u>4,539,356</u> | <u>4,774,159</u> | <u>2,126,742</u> | <u>1,970,476</u> | <u>6,666,098</u> | <u>6,744,635</u> |
| Change in net position | <u>(\$164,518)</u> | <u>(\$382,134)</u> | <u>\$434,420</u> | <u>\$520,639</u> | <u>\$269,902</u> | <u>\$138,505</u> |

Governmental Activities

Governmental activities net position decreased in 2017. Public safety which primarily supports the operations of the police and fire department accounted for \$3,221,560 or 71.0% of the total governmental activity expenses of the City. Public safety expenses were partially funded by \$168,662 in direct charges to users of the services and restricted grants. General government expenses totaled \$514,303. General government expenses were partially funded by \$34,136 in direct charges to users of the services.

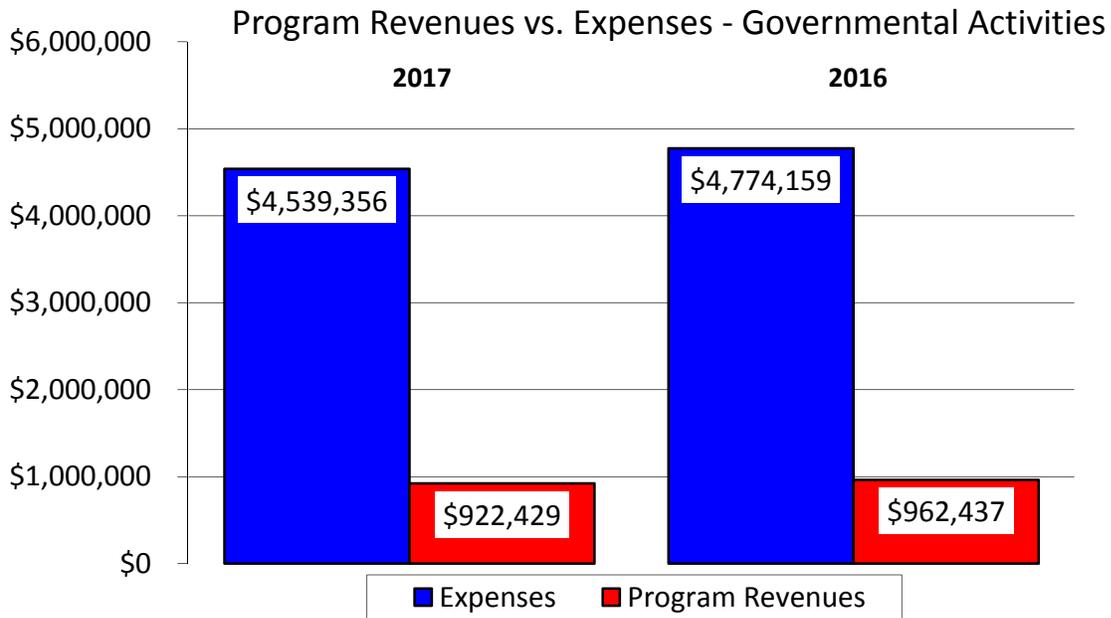
The state and federal government contributed to the City a total of \$423,507 in operating grants and contributions. These revenues are restricted to a particular program or purpose; \$415,767 of the operating grants and contributions subsidized transportation programs.

General revenues totaled \$3,452,409, and amounted to 78.9% of total governmental revenues. The primary source of these general revenues is property taxes of \$2,748,164. 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 \$582,209.

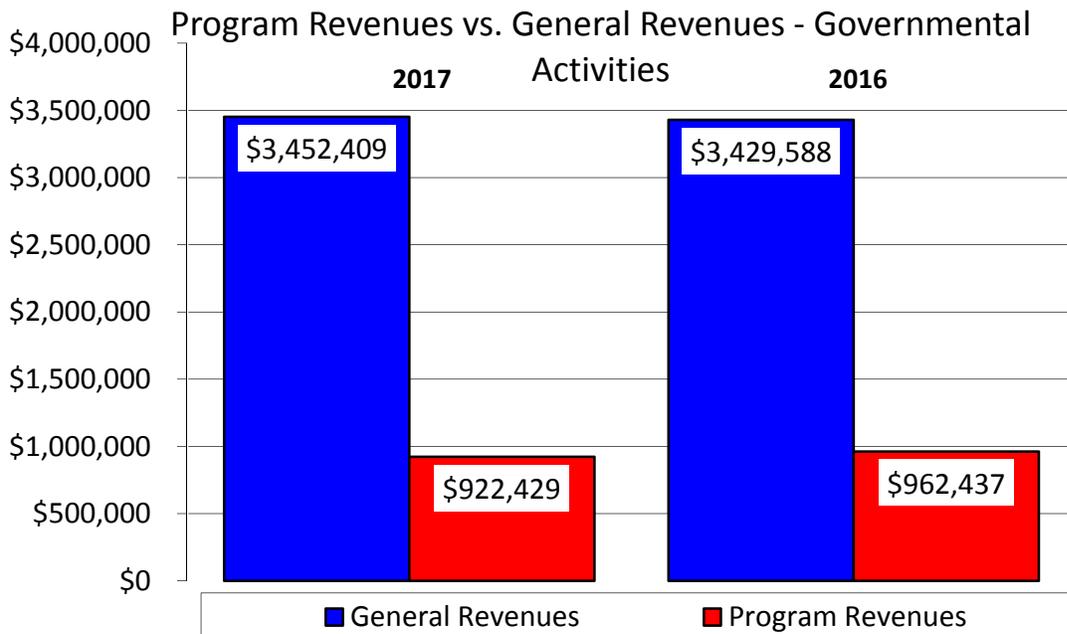
City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

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



The dependence upon general revenues for governmental activities is apparent, with 79.7% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2017 and 2016.

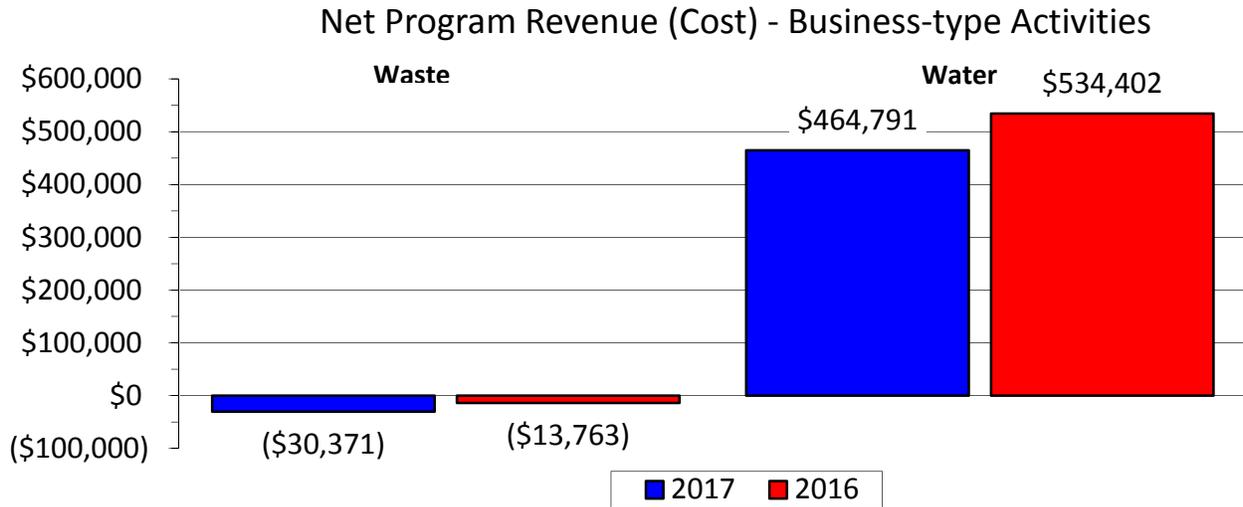


City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

Business-type Activities

Business-type activities include the water and waste collection enterprise funds. These programs had program revenues of \$2,561,162 and expenses of \$2,126,742 for 2017. The graph below shows the net program revenue (cost) for each business-type activity:



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$3,042,167 which is \$292,768 above last year's total of \$2,749,399. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and non-major governmental funds.

| | Fund Balance 12/31/2017 | Fund Balance 12/31/2016 | Increase (Decrease) |
|---|------------------------------------|------------------------------------|--------------------------------|
| Major Funds: | | | |
| General | \$1,253,010 | \$1,318,308 | (\$65,298) |
| Street | 202,070 | 190,506 | 11,564 |
| Police | 263,438 | 249,321 | 14,117 |
| Fire | 118,630 | 127,193 | (8,563) |
| Capital improvement | 966,219 | 639,200 | 327,019 |
| Other non-major governmental funds | 238,800 | 224,871 | 13,929 |
| Total | \$3,042,167 | \$2,749,399 | \$292,768 |

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

The City's **general fund** balance decreased \$65,298. The table that follows assists in illustrating the revenues of the general fund.

| | <u>2017</u> <u>Amount</u> | <u>2016</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|-------------------------------|------------------------------|------------------------------|------------------------------------|
| General Fund Revenues: | | | |
| Local taxes | \$587,420 | \$575,527 | 2.1% |
| Intergovernmental | 186,965 | 184,752 | 1.2% |
| Special assessments | 6,400 | 1,680 | 281.0% |
| Charges for services | 25,597 | 25,599 | 0.0% |
| Fines, licenses & permits | 101,625 | 133,553 | -23.9% |
| Investment income | 43,741 | 34,657 | 26.2% |
| Miscellaneous receipts | 12,072 | 12,577 | -4.0% |
| Total | <u>\$963,820</u> | <u>\$968,345</u> | <u>-0.5%</u> |

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

| | <u>2017</u> <u>Amount</u> | <u>2016</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|-----------------------------------|------------------------------|------------------------------|------------------------------------|
| General Fund Expenditures: | | | |
| General government | \$392,309 | \$367,758 | 6.7% |
| Community environment | 97,640 | 87,070 | 12.1% |
| Recreation | 39,169 | 13,012 | 201.0% |
| Other financing uses: | | | |
| Transfers out | 500,000 | 450,000 | 11.1% |
| Total | <u>\$1,029,118</u> | <u>\$917,840</u> | <u>12.1%</u> |

The **street fund** had revenues of \$309,212 in 2017. The expenditures of the street fund, totaled \$297,648 in 2017. The net increase in fund balance for the street fund was \$11,564.

The **police fund** had revenues and other financing sources of \$1,675,944 in 2017. The expenditures of the police fund totaled \$1,661,827 in 2017. The net increase in fund balance for the police fund was \$14,117. The increase can be attributed to decreased personnel costs.

The **fire fund** had revenues and other financing sources of \$1,143,337 in 2017. The expenditures of the fire fund totaled \$1,151,900 in 2017. The net decrease in fund balance for the fire fund was \$8,563. The decrease can be attributed increased personnel and operational costs combined with flat revenue.

The **capital improvement fund** had revenues and other financing sources of \$631,053 in 2017. The expenditures of the capital improvement fund totaled \$304,034 in 2017. The net increase in fund balance for the capital improvement fund was \$327,019. The increase can be attributed to reserving funds for several planned capital projects.

General Fund Budgetary Highlights

General fund appropriations were increased by \$64,909 in 2017. Actual expenditures were \$31,689 less than the final appropriations. In addition, actual revenues were more than budgetary estimates by \$12,026.

City of Bellbrook, Ohio

Management’s Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the City had \$20,716,043 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure, and utility structures in service. Of this total, \$7,240,165 was reported in governmental activities and \$13,475,878 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, 2017 and 2016:

| | Business-type Activities | |
|--------------------------|---------------------------------|--------------------|
| | <u>2017</u> | <u>2016</u> |
| General obligation bonds | \$295,000 | \$360,000 |
| OPWC loans | 842,594 | 898,767 |
| Total | <u>\$1,137,594</u> | <u>\$1,258,767</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 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 2017, there were two active housing developments underway. New single-family housing permits remained steady in 2017. As the housing market continues to improve, the two housing active developments are expected to be completed. One bright spot in the housing market is the City’s proximity to the Wright Patterson Air Force Base, the largest employer in the area.

The State of Ohio, in an effort to balance their budget, has decreased several forms of state aid that the City currently receives. These cuts began to impact the City finances in 2011, but 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.

City of Bellbrook, Ohio

**Management's Discussion and Analysis
For the Year Ended December 31, 2017
(UNAUDITED)**

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: Mrs. Melissa Dodd, City Manager/Finance Director, 15 East Franklin Street, Bellbrook, Ohio 45305.

**City of Bellbrook
Statement of Net Position
December 31, 2017**

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Pooled cash and investments | \$2,946,381 | \$2,183,489 | \$5,129,870 |
| Cash and cash equivalents with fiscal agents | 26,226 | | 26,226 |
| Receivables (net): | | | |
| Taxes | 2,823,994 | | 2,823,994 |
| Accounts | 66,010 | 297,637 | 363,647 |
| Intergovernmental | 422,169 | | 422,169 |
| Interest | 5,494 | | 5,494 |
| Special assessments | 826 | 368 | 1,194 |
| Inventory | 50,099 | 59,692 | 109,791 |
| Prepaid items | 63,912 | 15,994 | 79,906 |
| Capital assets: | | | |
| Non-depreciable capital assets | 262,230 | 653,274 | 915,504 |
| Depreciable capital assets, net | 6,977,935 | 12,822,604 | 19,800,539 |
| <i>Total assets</i> | <u>13,645,276</u> | <u>16,033,058</u> | <u>29,678,334</u> |
| Deferred Outflows of Resources | | | |
| Pensions | 1,508,187 | 333,249 | 1,841,436 |
| Liabilities | | | |
| Accounts payable | 9,401 | 43,554 | 52,955 |
| Accrued liabilities | 86,113 | 22,733 | 108,846 |
| Due to other governments | 52,353 | 9,013 | 61,366 |
| Unearned revenue | | 22,917 | 22,917 |
| Accrued interest payable | | 1,227 | 1,227 |
| Noncurrent liabilities: | | | |
| Due within one year | 175,060 | 156,203 | 331,263 |
| Due in more than one year | | | |
| Net pension liability | 5,125,046 | 852,363 | 5,977,409 |
| Other amounts | 33,174 | 1,018,448 | 1,051,622 |
| <i>Total liabilities</i> | <u>5,481,147</u> | <u>2,126,458</u> | <u>7,607,605</u> |
| Deferred Inflows of Resources | | | |
| Property taxes | 2,711,500 | | 2,711,500 |
| Pensions | 40,286 | 11,952 | 52,238 |
| <i>Total deferred inflows of resources</i> | <u>2,751,786</u> | <u>11,952</u> | <u>2,763,738</u> |
| Net Position | | | |
| Net investment in capital assets | 7,240,165 | 12,338,284 | 19,578,449 |
| Restricted for: | | | |
| Public safety | 483,059 | | 483,059 |
| Streets & highways | 569,516 | | 569,516 |
| Unrestricted | (1,372,210) | 1,889,613 | 517,403 |
| <i>Total net position</i> | <u>\$6,920,530</u> | <u>\$14,227,897</u> | <u>\$21,148,427</u> |

See Notes to the Basic Financial Statements.

**City of Bellbrook
Balance Sheet
Governmental Funds
December 31, 2017**

| | General | Street | Police | Fire | Capital Improvements | Non-major Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|--------------------|--------------------|-------------------------|------------------------------------|--------------------------------|
| Assets | | | | | | | |
| Pooled cash and investments | \$1,239,059 | \$150,529 | \$280,047 | \$148,842 | \$936,910 | \$190,994 | \$2,946,381 |
| Receivables (net): | | | | | | | |
| Taxes | 608,000 | | 1,374,000 | 777,000 | | 64,994 | 2,823,994 |
| Accounts | 5,847 | | | 60,163 | | | 66,010 |
| Intergovernmental | 89,634 | 146,720 | 99,500 | 58,500 | 3,083 | 24,732 | 422,169 |
| Interest | 5,494 | | | | | | 5,494 |
| Special assessments | 0 | 826 | | | | | 826 |
| Inventory | 0 | 12,072 | 2,413 | 679 | | 34,935 | 50,099 |
| Prepaid items | 1,090 | 253 | 49,324 | 13,245 | | | 63,912 |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents with fiscal agent | | | | | 26,226 | | 26,226 |
| Total assets | 1,949,124 | 310,400 | 1,805,284 | 1,058,429 | 966,219 | 315,655 | 6,405,111 |
| Liabilities | | | | | | | |
| Accounts payable | 6,271 | | 1,123 | 1,933 | | 74 | 9,401 |
| Accrued liabilities | 6,183 | 8,191 | 39,096 | 32,643 | | | 86,113 |
| Due to other governments | 2,448 | 3,144 | 28,127 | 18,634 | | | 52,353 |
| Total liabilities | 14,902 | 11,335 | 68,346 | 53,210 | | 74 | 147,867 |
| Deferred Inflows of Resources | | | | | | | |
| Property taxes | 608,000 | 0 | 1,374,000 | 777,000 | | 46,000 | 2,805,000 |
| Unavailable revenue | 73,212 | 96,995 | 99,500 | 109,589 | | 30,781 | 410,077 |
| Total deferred inflows of resources | 681,212 | 96,995 | 1,473,500 | 886,589 | | 76,781 | 3,215,077 |
| Fund Balances | | | | | | | |
| Nonspendable: Inventory and prepaids | 1,090 | 12,325 | 51,737 | 13,924 | | 34,935 | 114,011 |
| Restricted for: | | | | | | | |
| Public safety | | | 211,701 | 104,706 | | 1,736 | 318,143 |
| Transportation | | 189,745 | | | 26,226 | 198,398 | 414,369 |
| Committed to: | | | | | | | |
| Transportation | | | | | | 3,731 | 3,731 |
| Assigned to: | | | | | | | |
| General government | 4,841 | | | | | | 4,841 |
| Future appropriations | 20,671 | | | | | | 20,671 |
| Other capital projects | | | | | 939,993 | | 939,993 |
| Unassigned | 1,226,408 | | | | | | 1,226,408 |
| Total fund balances | 1,253,010 | 202,070 | 263,438 | 118,630 | 966,219 | 238,800 | 3,042,167 |
| Total liabilities, deferred inflows of resources and fund balances | \$1,949,124 | \$310,400 | \$1,805,284 | \$1,058,429 | \$966,219 | \$315,655 | \$6,405,111 |

See Notes to the Basic Financial Statements.

**City of Bellbrook
Reconciliation of Total
Governmental Fund Balances to Net
Position of Governmental Activities
December 31, 2017**

| | |
|--|-------------|
| Total governmental fund balances | \$3,042,167 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 7,240,165 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: | |
| Property taxes receivable | 93,500 |
| Accounts receivable | 51,089 |
| Intergovernmental receivable | 358,162 |
| Special assessment receivable | 826 |
| Long-term liabilities are not due and payable in the current period and therefore not reported in the funds: | |
| Compensated absences | (208,234) |
| Net pension liability | (5,125,046) |
| Deferred outflows-pensions | 1,508,187 |
| Deferred inflows-pension | (40,286) |
| | \$6,920,530 |
| Net position of governmental activities | \$6,920,530 |

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, 2017

| | General | Street | Police | Fire | Capital Improvements | Non-major Government al Funds | Total Government al Funds |
|--|--------------------|------------------|------------------|------------------|-------------------------|-------------------------------------|---------------------------------|
| Revenues | | | | | | | |
| Local taxes | \$587,420 | | \$1,328,752 | \$751,632 | | \$80,806 | \$2,748,610 |
| Intergovernmental revenues | 186,965 | 298,276 | 211,112 | 119,160 | 356,860 | 52,106 | 1,224,479 |
| Special assessments | 6,400 | 2,509 | | | | | 8,909 |
| Charges for services | 25,597 | 349 | 20,035 | 108,593 | | 2,139 | 156,713 |
| Fines, licenses and permits | 101,625 | | 653 | | | | 102,278 |
| Investment income | 43,741 | | | | | | 43,741 |
| Miscellaneous receipts | 12,072 | 8,078 | 15,392 | 13,952 | 8,193 | 23 | 57,710 |
| <i>Total revenues</i> | <u>963,820</u> | <u>309,212</u> | <u>1,575,944</u> | <u>993,337</u> | <u>365,053</u> | <u>135,074</u> | <u>4,342,440</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | 392,309 | | | | | | 392,309 |
| Public safety | | | 1,661,827 | 1,151,900 | | 50,287 | 2,864,014 |
| Community environment | 97,640 | | | | | | 97,640 |
| Recreation | 39,169 | | | | | | 39,169 |
| Transportation | | 297,648 | | | | 70,858 | 368,506 |
| Capital outlay | | | | | 304,034 | | 304,034 |
| <i>Total expenditures</i> | <u>529,118</u> | <u>297,648</u> | <u>1,661,827</u> | <u>1,151,900</u> | <u>304,034</u> | <u>121,145</u> | <u>4,065,672</u> |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>434,702</u> | <u>11,564</u> | <u>(85,883)</u> | <u>(158,563)</u> | <u>61,019</u> | <u>13,929</u> | <u>276,768</u> |
| Other financing sources (uses) | | | | | | | |
| Transfers in | | | 100,000 | 150,000 | 250,000 | | 500,000 |
| Transfers out | (500,000) | | | | | | (500,000) |
| Sale of capital assets | | | | | 16,000 | | 16,000 |
| <i>Total other financing sources (uses)</i> | <u>(500,000)</u> | | <u>100,000</u> | <u>150,000</u> | <u>266,000</u> | | <u>16,000</u> |
| Net change in fund balances | (65,298) | 11,564 | 14,117 | (8,563) | 327,019 | 13,929 | 292,768 |
| Fund balances, beginning of year | 1,318,308 | 190,506 | 249,321 | 127,193 | 639,200 | 224,871 | 2,749,399 |
| Fund balances, end of year | <u>\$1,253,010</u> | <u>\$202,070</u> | <u>\$263,438</u> | <u>\$118,630</u> | <u>\$966,219</u> | <u>\$238,800</u> | <u>\$3,042,167</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, 2017**

Net change in fund balances - total governmental funds \$292,768

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 | 311,106 |
| Current year depreciation | (540,082) |

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

| | |
|---------------------------|---------|
| Property taxes | (447) |
| Charges for services | 29,661 |
| Intergovernmental revenue | (4,413) |
| Special assessments | (8,403) |

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.

| | |
|----------------------|-----------|
| Compensated absences | 5,194 |
| Pensions | (249,902) |

| | |
|---|-------------|
| Change in net position of governmental activities | (\$164,518) |
|---|-------------|

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Net Position
Proprietary Funds
December 31, 2017**

| | Business-type Activities | | |
|---|--------------------------|---------------------|---------------------|
| | Waste Collection | Water | Totals |
| Assets | | | |
| Current assets: | | | |
| Pooled cash and investments | \$214,422 | \$1,969,067 | \$2,183,489 |
| Receivables (net): | | | |
| Accounts | 2,117 | 295,520 | 297,637 |
| Special assessments | | 368 | 368 |
| Inventory | | 59,692 | 59,692 |
| Prepaid items | 3 | 15,991 | 15,994 |
| Total current assets | <u>216,542</u> | <u>2,340,638</u> | <u>2,557,180</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Non-depreciable capital assets | | 653,274 | 653,274 |
| Depreciable capital assets, net | | 12,822,604 | 12,822,604 |
| Total noncurrent assets | | <u>13,475,878</u> | <u>13,475,878</u> |
| <i>Total assets</i> | <u>216,542</u> | <u>15,816,516</u> | <u>16,033,058</u> |
| Deferred Outflows of Resources | | | |
| Pensions | 13,716 | 319,533 | 333,249 |
| <i>Total deferred outflows of resources</i> | <u>13,716</u> | <u>319,533</u> | <u>333,249</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 33,533 | 10,021 | 43,554 |
| Accrued liabilities | 681 | 22,052 | 22,733 |
| Compensated absences | 963 | 29,067 | 30,030 |
| Due to other governments | 293 | 8,720 | 9,013 |
| Current portion of OPWC loans | | 56,173 | 56,173 |
| Current portion of general obligation bonds | | 70,000 | 70,000 |
| Accrued interest payable | | 1,227 | 1,227 |
| Unearned revenue | 22,917 | | 22,917 |
| Total current liabilities | <u>58,387</u> | <u>197,260</u> | <u>255,647</u> |
| Noncurrent liabilities: | | | |
| General obligation bonds | | 225,000 | 225,000 |
| OPWC loans | | 786,421 | 786,421 |
| Net pension liability | 31,568 | 820,795 | 852,363 |
| Compensated absences | | 7,027 | 7,027 |
| Total noncurrent liabilities | <u>31,568</u> | <u>1,839,243</u> | <u>1,870,811</u> |
| <i>Total liabilities</i> | <u>89,955</u> | <u>2,036,503</u> | <u>2,126,458</u> |
| Deferred Inflows of Resources | | | |
| Pensions | 414 | 11,538 | 11,952 |
| <i>Total deferred inflows of resources</i> | <u>414</u> | <u>11,538</u> | <u>11,952</u> |
| Net position | | | |
| Net investment in capital assets | | 12,338,284 | 12,338,284 |
| Unrestricted | 139,889 | 1,749,724 | 1,889,613 |
| <i>Total net position</i> | <u>\$139,889</u> | <u>\$14,088,008</u> | <u>\$14,227,897</u> |

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, 2017

| | Business-type Activities | | |
|---|--------------------------|----------------------------|----------------------------|
| | Waste Collection | Water | Totals |
| Operating revenues | | | |
| Charges for services | \$402,772 | \$1,708,166 | \$2,110,938 |
| Other revenue | | 8,589 | 8,589 |
| <i>Total operating revenues</i> | <u>402,772</u> | <u>1,716,755</u> | <u>2,119,527</u> |
| Operating expenses | | | |
| Personal services | 29,028 | 835,732 | 864,760 |
| Purchased services | 404,115 | 350,936 | 755,051 |
| Supplies and materials | | 74,495 | 74,495 |
| Other expenses | | 9,184 | 9,184 |
| Depreciation | | 415,457 | 415,457 |
| <i>Total operating expenses</i> | <u>433,143</u> | <u>1,685,804</u> | <u>2,118,947</u> |
| Operating income (loss) | <u>(30,371)</u> | <u>30,951</u> | <u>580</u> |
| Nonoperating revenues (expenses) | | | |
| Interest expense | | (7,795) | (7,795) |
| Gain (loss) on disposal of assets | | 5,272 | 5,272 |
| <i>Total nonoperating revenues (expenses)</i> | | <u>(2,523)</u> | <u>(2,523)</u> |
| Income (loss) before contributions | (30,371) | 28,428 | (1,943) |
| Capital contributions | | 436,363 | 436,363 |
| Change in net position | (30,371) | 464,791 | 434,420 |
| Net position - beginning | <u>170,260</u> | <u>13,623,217</u> | <u>13,793,477</u> |
| Net position - ending | <u><u>\$139,889</u></u> | <u><u>\$14,088,008</u></u> | <u><u>\$14,227,897</u></u> |

See Notes to the Basic Financial Statements.

**City of Bellbrook
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017**

| | Business-type Activities | | |
|---|--------------------------|--------------------|--------------------|
| | Waste Collection | Water | Total |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$400,231 | \$1,725,658 | \$2,125,889 |
| Cash paid to employees | (23,929) | (715,261) | (739,190) |
| Cash paid to suppliers of goods and services | (402,865) | (422,079) | (824,944) |
| Other receipts | | 8,589 | 8,589 |
| Net cash provided (used) by operating activities | <u>(26,563)</u> | <u>596,907</u> | <u>570,344</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets | | (244,284) | (244,284) |
| Proceeds from sale of capital assets | | 5,272 | 5,272 |
| Principal retirement on revenue bonds | | (65,000) | (65,000) |
| Principal retirement on OPWC loans | | (56,173) | (56,173) |
| Interest and fiscal charges | | (8,012) | (8,012) |
| Net cash provided (used) by capital and related financing activities | | <u>(368,197)</u> | <u>(368,197)</u> |
| Increase (decrease) in cash and cash equivalents | (26,563) | 228,710 | 202,147 |
| Cash and cash equivalents at beginning of year | 240,985 | 1,740,357 | 1,981,342 |
| Cash and cash equivalents at end of year | <u>\$214,422</u> | <u>\$1,969,067</u> | <u>\$2,183,489</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | (\$30,371) | \$30,951 | \$580 |
| Adjustments | | | |
| Depreciation | | 415,457 | 415,457 |
| (Increase) decrease in assets: | | | |
| Receivables | (2,117) | 17,492 | 15,375 |
| Prepaid items | (1) | (2,041) | (2,042) |
| Inventories | | 13,623 | 13,623 |
| (Increase) decrease in deferred outflows of resources: | | | |
| Pension | (6,084) | (96,309) | (102,393) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 1,250 | 793 | 2,043 |
| Accrued liabilities | 12 | 1,422 | 1,434 |
| Compensated absences | 55 | 1,699 | 1,754 |
| Due to other governments | 283 | 8,425 | 8,708 |
| Unearned revenue | (424) | | (424) |
| Net pension liability | 10,838 | 206,209 | 217,047 |
| Increase (decrease) in deferred inflows of resources: | | | |
| Pension | (4) | (814) | (818) |
| Net cash provided (used) by operating activities | <u>(\$26,563)</u> | <u>\$596,907</u> | <u>\$570,344</u> |
| Non-cash investing, capital and financing activities: | | | |
| Capital assets purchased on account | \$0 | \$2,849 | \$2,849 |
| Capital contributions from developers | \$0 | \$436,363 | \$436,363 |

See Notes to the Basic Financial Statements.

City of Bellbrook
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2017

| | <u>Agency Fund</u> |
|----------------------------------|------------------------|
| Assets | |
| Pooled cash and cash equivalents | <u>\$7,905</u> |
| Total assets | <u>7,905</u> |
| | |
| Liabilities | |
| Undistributed monies | <u>7,905</u> |
| Total liabilities | <u><u>\$7,905</u></u> |

See Notes to the Basic Financial Statements.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund type:

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

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

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

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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

D. Pooled Cash and Investments

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

Interest earnings are allocated to the General Fund except for funds derived from contract, trust agreement, grant terms or City policy which require crediting otherwise. Interest revenue credited to the General Fund during 2017 amounted to \$43,741, which includes \$33,112 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.

During fiscal year 2017, the Board invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Board measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventories and Prepaid Items

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

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

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2017, 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 |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 and prepaid items.

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position and proprietary statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2017 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statements of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants, charges for services and special assessments revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statements of net position (see Note 7).

L. 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.

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

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

2. POOLED CASH AND INVESTMENTS

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

2. POOLED CASH AND INVESTMENTS (Continued)

Deposits – At December 31, 2017, the bank balance of the City’s cash deposits was \$283,901. As of December 31, 2017, \$250,000 of the City’s bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and \$33,901 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’s investments in federal agency securities and U. S. Treasury obligations are valued using quoted market prices (Level 1 inputs). STAR Ohio has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

As of December 31, 2017, the City had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | |
|--|--------------------|----------------------------------|--------------------|
| | | Less than 1 | 1-5 |
| Federal National Mortgage Association Bonds | \$422,025 | \$223,913 | \$198,112 |
| Federal Farm Credit Bonds | 404,785 | | 404,785 |
| Federal Home Loan Mortgage Corporation Bonds | 589,835 | 199,812 | 390,023 |
| Federal Home Loan Bank Bonds | 418,655 | 219,778 | 198,877 |
| Schwab Money Market | 1,054 | 1,054 | |
| STAR Ohio | 3,056,463 | 3,056,463 | |
| Total Investments | \$4,892,817 | \$3,701,020 | \$1,191,797 |

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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

2. POOLED CASH AND INVESTMENTS (Continued)

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, 2017, 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. The City's investments in federal agency securities were rated AA+ by Standard & Poor's.

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, 2017:

| <u>Investment Type</u> | <u>% of Total</u> |
|--|-------------------|
| Federal National Mortgage Association Bonds | 8.63% |
| Federal Farm Credit Bonds | 8.27% |
| Federal Home Loan Mortgage Corporation Bonds | 12.06% |
| Federal Home Loan Bank Bonds | 8.56% |
| Schwab Money Market | 0.02% |
| STAR Ohio | 62.46% |

Cash with Fiscal Agent - At year-end, the City had \$26,226 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, 2017. This amount is not included in the City's depository balance.

3. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported in the fund financial statements:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|----------------------|----------------------|----------------------|
| General | | \$500,000 |
| Police | \$100,000 | |
| Fire | 150,000 | |
| Capital improvements | <u>250,000</u> | |
| Total | <u>\$500,000</u> | <u>\$500,000</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.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property taxes are levied each December 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 2017.

The property tax calendar is as follows:

| | |
|--------------------------------|-------------------|
| Levy date | December 31, 2016 |
| Lien date | December 31, 2016 |
| First installment payment due | February 15, 2017 |
| Second installment payment due | July 15, 2017 |

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, 2017 was \$19.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

| | |
|---|----------------------|
| Real estate | \$166,345,730 |
| Public utility tangible personal property | <u>4,127,140</u> |
| Total | <u>\$170,472,870</u> |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$262,230 | | | \$262,230 |
| <i>Capital assets being depreciated</i> | | | | |
| Land improvements | 374,994 | \$54,450 | (\$18,377) | 411,067 |
| Buildings and improvements | 3,072,002 | 25,591 | | 3,097,593 |
| Machinery and equipment | 560,226 | 111,615 | (19,269) | 652,572 |
| Vehicles | 1,957,013 | 13,420 | | 1,970,433 |
| Infrastructure | 5,873,049 | 106,030 | | 5,979,079 |
| Subtotal | <u>11,837,284</u> | <u>311,106</u> | <u>(37,646)</u> | <u>12,110,744</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land improvements | (265,188) | (8,393) | 18,377 | (255,204) |
| Buildings and improvements | (1,265,241) | (66,217) | | (1,331,458) |
| Machinery and equipment | (307,899) | (163,451) | 19,269 | (452,081) |
| Vehicles | (1,267,727) | (27,918) | | (1,295,645) |
| Infrastructure | (1,524,318) | (274,103) | | (1,798,421) |
| Subtotal | <u>(4,630,373)</u> | <u>(540,082)</u> | <u>37,646</u> | <u>(5,132,809)</u> |
| Net capital assets | <u>\$7,469,141</u> | <u>(\$228,976)</u> | <u>\$0</u> | <u>\$7,240,165</u> |

Depreciation was charged to governmental activities as follows:

| | |
|--|------------------|
| General government | \$82,358 |
| Public safety | 165,901 |
| Transportation | 291,823 |
| Total governmental activities depreciation expense | <u>\$540,082</u> |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

5. CAPITAL ASSETS (Continued)

Business-type Activities

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$604,370 | | | \$604,370 |
| Construction in progress | | \$48,904 | | 48,904 |
| Subtotal | <u>604,370</u> | <u>48,904</u> | | <u>653,274</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Land improvements | 31,404 | | | 31,404 |
| Utility structures in service | 15,290,613 | 436,363 | | 15,726,976 |
| Buildings and improvements | 5,450,107 | | | 5,450,107 |
| Machinery and equipment | 428,863 | 90,470 | (\$7,500) | 511,833 |
| Vehicles | 368,777 | 24,923 | (14,985) | 378,715 |
| Subtotal | <u>21,569,764</u> | <u>551,756</u> | <u>(22,485)</u> | <u>22,099,035</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land improvements | (15,573) | (1,925) | | (17,498) |
| Utility structures in service | (6,746,124) | (209,564) | | (6,955,688) |
| Buildings and improvements | (1,677,019) | (135,990) | | (1,813,009) |
| Machinery and equipment | (328,570) | (31,272) | 7,500 | (352,342) |
| Vehicles | <u>(116,173)</u> | <u>(36,706)</u> | 14,985 | <u>(137,894)</u> |
| Subtotal | <u>(8,883,459)</u> | <u>(415,457)</u> | <u>22,485</u> | <u>(9,276,431)</u> |
| Net capital assets | <u>\$13,290,675</u> | <u>\$185,203</u> | <u>\$0</u> | <u>\$13,475,878</u> |

Depreciation was charged to business-type activities as follows:

| | |
|---|------------------|
| Waste collection | \$0 |
| Water | 415,457 |
| Total business-type activities depreciation expense | <u>\$415,457</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, 2017
(Continued)

6. RISK MANAGEMENT (Continued)

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 2017, 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 | \$12,000,000 per occurrence |
| Automobile liability | \$12,000,000 per occurrence |
| Police professional liability | \$12,000,000 per occurrence |
| Public officials liability | \$12,000,000 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 claims are administered by United Healthcare of Ohio. The City participates in the plan and makes payment to the JHP 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). Effective August 1, 2015, a change was made to the by-laws which eliminates the liability for incurred but not reported claims.

7. DEFINED BENEFIT 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).

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued liabilities* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Group A | Group B | Group C |
|--|--|--|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

| | <u>State and Local</u> |
|--|------------------------|
| 2017 Statutory Maximum Contribution Rates | |
| Employer | 14.0% |
| Employee | 10.0% |
| 2017 Actual Contribution Rates | |
| Employer: | |
| Pension | 13.0% |
| Post-employment Health Care Benefits | <u>1.0%</u> |
| Total Employer | <u><u>14.0%</u></u> |
| Employee | <u><u>10.0%</u></u> |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$116,079 for 2017. Of this amount, \$14,833 is reported as an accrued liabilities.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>Police</u> | <u>Fire</u> |
|--|---------------|---------------|
| 2017 Statutory Maximum Contribution Rates | | |
| Employer | 19.50% | 24.00% |
| Employee: | 12.25% | 12.25% |
| 2017 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00% | 23.50% |
| Post-employment Health Care Benefits | 0.50% | 0.50% |
| Total Employer | <u>19.50%</u> | <u>24.00%</u> |
| Employee | 12.25% | 12.25% |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$312,758 for 2017. Of this amount \$44,318 is reported as an accrued liabilities.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS</u> | <u>OP&F</u> | |
|--|------------------|-------------------|--------------|
| Proportion of the Net Pension Liability | | | |
| Current Measurement Date | 0.006951% | 0.0694510% | |
| Prior Measurement Date | <u>0.007040%</u> | <u>0.0692290%</u> | |
| Change in Proportionate Share | -0.0000890% | 0.0002220% | |
| | | | <u>Total</u> |
| Proportionate Share of the Net Pension Liability | \$1,578,452 | \$4,398,957 | \$5,977,409 |
| Pension Expense | \$332,352 | \$683,803 | \$1,016,155 |

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$2,139 | \$1,244 | \$3,383 |
| Changes in assumptions | 250,362 | 0 | 250,362 |
| Net difference between projected and actual earnings on pension plan investments | 235,068 | 427,779 | 662,847 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 7,279 | 488,728 | 496,007 |
| City contributions subsequent to the measurement date | <u>116,079</u> | <u>312,758</u> | <u>428,837</u> |
| Total Deferred Outflows of Resources | <u>\$610,927</u> | <u>\$1,230,509</u> | <u>\$1,841,436</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$9,395 | \$10,128 | \$19,523 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>28,039</u> | <u>4,676</u> | <u>32,715</u> |
| Total Deferred Inflows of Resources | <u>\$37,434</u> | <u>\$14,804</u> | <u>\$52,238</u> |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

\$428,837 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS | OP&F | Total |
|--------------------------|------------------|------------------|--------------------|
| Year Ending December 31: | | | |
| 2018 | \$182,306 | \$310,931 | \$493,237 |
| 2019 | 198,751 | 310,931 | 509,682 |
| 2020 | 83,249 | 272,165 | 355,414 |
| 2021 | (6,892) | 7,157 | 265 |
| 2022 | 0 | 1,539 | 1,539 |
| Thereafter | <u>0</u> | <u>224</u> | <u>224</u> |
| Total | <u>\$457,414</u> | <u>\$902,947</u> | <u>\$1,360,361</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below:

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

| | December 31, 2016 | December 31, 2015 |
|--|---|--|
| Wage Inflation | 3.25 percent | 3.75 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA | | |
| -Pre January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple |
| -Post January 7, 2013 Retirees | 3 percent, simple through 2018 then 2.15%, simple | 3 percent, simple through 2018 then 2.8%, simple |
| Investment Rate of Return | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 23.00% | 2.75% |
| Domestic Equities | 20.70 | 6.34 |
| Real Estate | 10.00 | 4.75 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | 100.00% | 5.66% |

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$2,411,441 | \$1,578,452 | \$884,306 |

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2018. The most significant change is a reduction in the discount rate from 7.5 percent to 7.2 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

| | |
|----------------------------|--|
| Valuation Date | January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|--------------------------|---|
| Cash and Cash Equivalents | 0.00% | |
| Domestic Equity | 16.00 | 5.21% |
| Non-US Equity | 16.00 | 5.40 |
| Core Fixed Income * | 20.00 | 2.37 |
| Global Inflation Protected Securities * | 20.00 | 2.33 |
| High Yield | 15.00 | 4.48 |
| Real Estate | 12.00 | 5.65 |
| Private Markets | 8.00 | 7.99 |
| Timber | 5.00 | 6.87 |
| Master Limited Partnerships | 8.00 | 7.36 |
| Total | <u>120.00%</u> | |

Note: Assumptions are geometric

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$5,858,889 | \$4,398,957 | \$3,161,644 |

Changes between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

8. OTHER POST EMPLOYMENT BENEFIT (OPEB)

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

A. Ohio Public Employees Retirement System

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

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer rate contribution that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

The City's contributions allocated to fund post-employment benefits for the years ended December 31, 2017, 2016 and 2015 were \$8,929, \$20,053, and \$19,345 respectively, equal to the required contributions for the year.

B. Ohio Police and Fire Pension Fund

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

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

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. The report is also available on OP&F's website at www.op-f.org.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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, 2017 through December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions allocated to fund post-employment benefits were \$7,566, \$7,741, and \$7,266 for the years ended December 31, 2017, 2016 and 2015 respectively, equal to the required contributions for the year.

9. LONG-TERM OBLIGATIONS

During 2017, the following changes occurred in the governmental activities long-term obligations:

| | <u>Balance 12/31/2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/2017</u> | <u>Due within One Year</u> |
|--------------------------------|-------------------------------|------------------|--------------------|-------------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$213,428 | \$208,234 | (\$213,428) | \$208,234 | \$175,060 |
| Net Pension Liability: | | | | | |
| OPERS | 584,101 | 141,988 | | 726,089 | |
| OP&F | <u>4,453,550</u> | | <u>(54,593)</u> | <u>4,398,957</u> | |
| Total | <u>\$5,251,079</u> | <u>\$350,222</u> | <u>(\$268,021)</u> | <u>\$5,333,280</u> | <u>\$175,060</u> |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

9. LONG-TERM OBLIGATIONS (Continued)

The City pays obligations related to employee compensation from the fund benefitting from their service.

During 2017, the following changes occurred in the business-type activities long-term obligations:

| | <u>Balance</u> <u>12/31/2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>12/31/2017</u> | <u>Due within</u> <u>One Year</u> |
|------------------------------------|-------------------------------------|------------------|--------------------|-------------------------------------|--------------------------------------|
| Business-type Activities | | | | | |
| General Obligation Bonds | | | | | |
| Waterworks system | | | | | |
| 2012 2.00-2.65% | \$360,000 | | (\$65,000) | \$295,000 | \$70,000 |
| Ohio Public Works Commission loan | | | | | |
| Water treatment plant improvements | | | | | |
| 2010 0.00% | 898,767 | | (56,173) | 842,594 | 56,173 |
| Compensated Absences | 35,303 | \$37,057 | (35,303) | 37,057 | 30,030 |
| Net Pension Liability: | | | | | |
| OPERS | | | | | |
| Waste Collection | 20,730 | 10,838 | | 31,568 | |
| Water | 614,586 | 206,209 | | 820,795 | |
| Total | <u>\$1,929,386</u> | <u>\$254,104</u> | <u>(\$156,476)</u> | <u>\$2,027,014</u> | <u>\$156,203</u> |

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2017, follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>General Obligation Bonds</u> | | <u>OPWC Loans</u> | |
|---|---------------------------------|-----------------|-------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$70,000 | \$6,663 | \$56,173 | \$0 |
| 2019 | 75,000 | 4,969 | 56,173 | |
| 2020 | 75,000 | 2,982 | 56,173 | |
| 2021 | 75,000 | 994 | 56,173 | |
| 2022 | | | 56,173 | |
| 2023-2027 | | | 280,865 | |
| 2028-2032 | | | 280,864 | |
| Total | <u>\$295,000</u> | <u>\$15,608</u> | <u>\$842,594</u> | <u>\$0</u> |

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

9. LONG-TERM OBLIGATIONS (Continued)

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, 2017, the City's total debt margin was \$17,899,651 and the unvoted debt margin was \$9,376,008.

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, 2017, 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, 2017, the member cities were: Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Indian Hill, Kettering, Madeira, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington and Wyoming.

Member contributions are calculated annually to produce a sufficient sum of money within the self-insurance pool to fund administrative expenses and to create adequate reserves for claims. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. The following is a summary of the MVRMA audited financial statements as of December 31, 2017:

| | |
|--|----------------------------|
| Assets and deferred outflow of resources | \$19,098,265 |
| Liabilities and deferred inflow of resources | <u>8,820,460</u> |
| Net Position | <u><u>\$10,277,805</u></u> |

B. Jefferson Health Plan

The City is a member of the Center for Local Government Benefits Pool (CLGBP) which is a member of the Jefferson Health Plan (JHP). JHP is a jointly governed organization established as a joint insurance pool. As of December 31, 2017, JHP had over 100 members. JHP provides medical, dental and prescription benefit coverage.

City of Bellbrook, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. CONTINGENT LIABILITIES

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, 2017.

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City of Bellbrook
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years ⁽¹⁾

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.006951% | 0.007040% | 0.007348% | 0.007348% |
| City's Proportionate Share of the Net Pension Liability | \$1,578,452 | \$1,219,417 | \$886,251 | \$866,233 |
| City's Covered-Employee Payroll | \$1,003,092 | \$967,708 | \$990,742 | \$1,157,285 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll | 157.36% | 126.01% | 89.45% | 74.85% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.25% | 81.08% | 86.45% | 86.36% |

Amounts presented as of the City's measurement date which is the prior fiscal year end.

⁽¹⁾ Information prior to 2013 is not available.

City of Bellbrook
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Four Years ⁽¹⁾

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.069451% | 0.069229% | 0.069368% | 0.069368% |
| City's Proportionate Share of the Net Pension Liability | \$4,398,957 | \$4,453,550 | \$3,593,567 | \$3,378,453 |
| City's Covered-Employee Payroll | \$1,493,116 | \$1,436,377 | \$1,410,189 | \$1,236,558 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll | 294.62% | 310.05% | 254.83% | 273.21% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.36% | 66.77% | 72.20% | 73.00% |

Amounts presented as of the City's measurement date which is the prior fiscal year end.

⁽¹⁾ Information prior to 2013 is not available.

City of Bellbrook
Required Supplementary Information
Schedule of City's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years ⁽¹⁾

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution | \$116,079 | \$120,371 | \$116,125 | \$118,889 | \$150,447 |
| Contributions in relation to the Contractually Required Contribution | <u>(\$116,079)</u> | <u>(\$120,371)</u> | <u>(\$116,125)</u> | <u>(\$118,889)</u> | <u>(\$150,447)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered-Employee Payroll | \$892,915 | \$1,003,092 | \$967,708 | \$990,742 | \$1,157,285 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% |

⁽¹⁾ Information prior to 2013 is not available.

City of Bellbrook
Required Supplementary Information
Schedule of City's Contributions
Ohio Police and Fire Pension Fund
Last Five Years ⁽¹⁾

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution | \$312,758 | \$315,794 | \$296,912 | \$290,039 | \$210,891 |
| Contributions in relation to the Contractually Required Contribution | <u>(\$312,758)</u> | <u>(\$315,794)</u> | <u>(\$296,912)</u> | <u>(\$290,039)</u> | <u>(\$210,891)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered-Employee Payroll | \$1,513,225 | \$1,493,116 | \$1,436,377 | \$1,410,189 | \$1,236,558 |
| Contributions as a Percentage of Covered-Employee Payroll | 20.67% | 21.15% | 20.67% | 20.57% | 17.05% |

⁽¹⁾ Information prior to 2013 is not available.

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, 2017

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------------------|---|
| Revenues: | | | | |
| Local taxes | \$572,250 | \$587,420 | \$587,420 | \$0 |
| Intergovernmental revenues | 178,305 | 186,983 | 186,396 | (587) |
| Charges for services | 20,000 | 25,250 | 25,597 | 347 |
| Special assessments | | 6,400 | 6,400 | 0 |
| Fines, licenses, and permits | 135,000 | 114,500 | 122,819 | 8,319 |
| Investment income | 25,000 | 48,000 | 51,875 | 3,875 |
| Miscellaneous receipts | 4,000 | 12,000 | 12,072 | 72 |
| Total revenues | <u>934,555</u> | <u>980,553</u> | <u>992,579</u> | <u>12,026</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 387,725 | 415,431 | 392,508 | 22,923 |
| Community environment | 89,186 | 102,389 | 99,558 | 2,831 |
| Recreation | 21,063 | 45,063 | 39,128 | 5,935 |
| Total expenditures | <u>497,974</u> | <u>562,883</u> | <u>531,194</u> | <u>31,689</u> |
| Excess (deficiency) of revenues over expenditures | 436,581 | 417,670 | 461,385 | 43,715 |
| Other financing sources (uses): | | | | |
| Transfers (out) | (500,000) | (500,000) | (500,000) | 0 |
| Total other financing sources (uses) | <u>(500,000)</u> | <u>(500,000)</u> | <u>(500,000)</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | (63,419) | (82,330) | (38,615) | 43,715 |
| Fund balance at beginning of year | 1,281,085 | 1,281,085 | 1,281,085 | |
| Prior year encumbrances appropriated | 3,688 | 3,688 | 3,688 | |
| Fund balance at end of year | <u>\$1,221,354</u> | <u>\$1,202,443</u> | <u>\$1,246,158</u> | <u>\$43,715</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, 2017

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-------------------------|------------------------------|---|
| Revenues: | | | | |
| Intergovernmental revenues | \$299,000 | \$296,000 | \$300,178 | \$4,178 |
| Charges for services | 2,000 | 500 | 350 | (150) |
| Special assessments | | 2,387 | 2,509 | 122 |
| Miscellaneous receipts | 11,000 | 11,500 | 6,078 | (5,422) |
| Total revenues | <u>312,000</u> | <u>310,387</u> | <u>309,115</u> | <u>(1,272)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Transportation | 310,170 | 314,080 | 293,784 | 20,296 |
| Total expenditures | <u>310,170</u> | <u>314,080</u> | <u>293,784</u> | <u>20,296</u> |
| Excess (deficiency) of revenues over expenditures | 1,830 | (3,693) | 15,331 | 19,024 |
| Fund balance at beginning of year | <u>135,198</u> | <u>135,198</u> | <u>135,198</u> | |
| Fund balance at end of year | <u><u>\$137,028</u></u> | <u><u>\$131,505</u></u> | <u><u>\$150,529</u></u> | <u><u>\$19,024</u></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, 2017

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|------------------------------|---|
| Revenues: | | | | |
| Local taxes | \$1,298,500 | \$1,328,751 | \$1,328,752 | \$1 |
| Intergovernmental revenues | 185,500 | 210,897 | 211,137 | 240 |
| Charges for service | | 20,075 | 20,035 | (40) |
| Fines, licenses, and permits | | 600 | 653 | 53 |
| Miscellaneous receipts | 23,000 | 15,300 | 15,392 | 92 |
| Total revenues | <u>1,507,000</u> | <u>1,575,623</u> | <u>1,575,969</u> | <u>346</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 1,685,704 | 1,653,969 | 1,633,513 | 20,456 |
| Total expenditures | <u>1,685,704</u> | <u>1,653,969</u> | <u>1,633,513</u> | <u>20,456</u> |
| Excess (deficiency) of revenues over expenditures | (178,704) | (78,346) | (57,544) | 20,802 |
| Other financing sources (uses): | | | | |
| Transfers in | 100,000 | 100,000 | 100,000 | 0 |
| Total other financing sources (uses) | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | (78,704) | 21,654 | 42,456 | 20,802 |
| Fund balance at beginning of year | 237,069 | 237,069 | 237,069 | |
| Prior year encumbrances appropriated | 124 | 124 | 124 | |
| Fund balance at end of year | <u>\$158,489</u> | <u>\$258,847</u> | <u>\$279,649</u> | <u>\$20,802</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, 2017

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|------------------------------|---|
| Revenues: | | | | |
| Local taxes | \$733,250 | \$751,633 | \$751,633 | \$0 |
| Intergovernmental revenues | 104,750 | 119,160 | 119,160 | 0 |
| Charges for services | 110,000 | 130,000 | 120,748 | (9,252) |
| Miscellaneous receipts | 4,000 | 11,150 | 13,951 | 2,801 |
| Total revenues | <u>952,000</u> | <u>1,011,943</u> | <u>1,005,492</u> | <u>(6,451)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 1,217,175 | 1,170,186 | 1,129,940 | 40,246 |
| Total expenditures | <u>1,217,175</u> | <u>1,170,186</u> | <u>1,129,940</u> | <u>40,246</u> |
| Excess (deficiency) of revenues over expenditures | (265,175) | (158,243) | (124,448) | 33,795 |
| Other financing sources (uses): | | | | |
| Transfers in | 250,000 | 150,000 | 150,000 | 0 |
| Total other financing sources (uses) | <u>250,000</u> | <u>150,000</u> | <u>150,000</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | (15,175) | (8,243) | 25,552 | 33,795 |
| Fund balance at beginning of year | 122,840 | 122,840 | 122,840 | |
| Prior year encumbrances appropriated | 350 | 350 | 350 | |
| Fund balance at end of year | <u>\$108,015</u> | <u>\$114,947</u> | <u>\$148,742</u> | <u>\$33,795</u> |

See Notes to the Required Supplementary Information.

City of Bellbrook, Ohio

Notes to the Required Supplementary Information For the Year Ended December 31, 2017

➤ **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 and Actual - Budgetary (Non-GAAP Basis) presented for the general fund, street fund, police fund, and fire fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

➤ **Reconciliation of Budget Basis to GAAP Basis**

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

City of Bellbrook, Ohio

Notes to the Required Supplementary Information
For the Year Ended December 31, 2017
(Continued)

| | <u>General Fund</u> | <u>Street Fund</u> | <u>Police Fund</u> | <u>Fire Fund</u> |
|---|-------------------------|------------------------|------------------------|----------------------|
| GAAP basis | (\$65,298) | \$11,564 | \$14,117 | (\$8,563) |
| Net adjustment for revenue accruals | 28,759 | (97) | 25 | 12,155 |
| Net adjustment for expenditure accruals | 4,105 | 3,864 | 28,711 | 22,060 |
| Net adjustment for encumbrances | <u>(6,181)</u> | <u> </u> | <u>(397)</u> | <u>(100)</u> |
| Budget basis | <u>(\$38,615)</u> | <u>\$15,331</u> | <u>\$42,456</u> | <u>\$25,552</u> |



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bellbrook, Greene County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2018.

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*.

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www.ohioauditor.gov

Purpose of this Report

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

October 19, 2018



Dave Yost • Auditor of State

CITY OF BELLBROOK

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2018**