



Dave Yost • Auditor of State



**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Brookville  
Montgomery County  
301 Sycamore Street  
Brookville, Ohio 45309

To the City Council:

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 Brookville, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and the Street Construction, Maintenance and Repair fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

October 12, 2011

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

The management's discussion and analysis of the City of Brookville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- The total net assets of the City decreased \$492,477 from the 2009 net assets. Net assets of governmental activities decreased \$160,859 or 1.61% under the 2009 balance of \$9,969,889 and net assets of business-type activities decreased \$331,618 or 8.60% under 2009.
- General revenues accounted for \$3,005,878 of total governmental activities revenue. Program specific revenues accounted for \$1,475,388 or 32.92% of total governmental activities revenue.
- The City had \$4,642,125 in expenses related to governmental activities; \$1,475,388 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,166,737 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,005,878.
- The general fund had revenues and other financing sources of \$3,877,813 in 2010. This represents an increase of \$521,269 from 2009. The expenditures and other financing uses of the general fund, which totaled \$3,754,597 in 2010, increased \$191,620 from 2009. The net increase in fund balance for the general fund was \$123,216 or 12.05%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$612,534 in 2010. The expenditures of the street construction maintenance and repair fund, totaled \$624,778 in 2010. The net decrease in fund balance for the street construction maintenance and repair fund was \$12,244 or 6.49%.
- The bond retirement fund had revenues and other financing sources of \$1,125,967 in 2010. The expenditures of the bond retirement fund, totaled \$1,126,759 in 2010. The net decrease in fund balance for the bond retirement fund was \$792 or 62.81%.
- The fire capital improvement fund had revenues of \$156,820 in 2010. The expenditures of the fire capital improvement fund, totaled \$258,622 in 2010. The net decrease in fund balance for the fire capital improvement fund was \$101,802 or 16.90%.
- Net assets for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, decreased in 2010 by \$331,618. This decrease in net assets was due primarily to increasing operating expenses.
- In the general fund, the actual revenues and other financing sources came in \$95,986 higher than they were in the final budget and actual expenditures and other financing uses were \$291,976 less than the amount in the final budget.

**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.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**Reporting the City as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Governmental activities** - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income 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, sewer, and refuse operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

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

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 11.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

***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 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 non-major funds. The City's major governmental funds are the general fund, the street construction maintenance and repair fund, the bond retirement fund and the fire capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-28 of this report.

***Proprietary Funds***

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and refuse management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 29-31 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has no fiduciary funds.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33- 58 of this report.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**Government-Wide Financial Analysis**

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

	<b>Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Assets:</b>						
Current and other assets	\$2,886,584	\$3,064,256	\$1,007,722	\$981,531	\$3,894,306	\$4,045,787
Capital assets, net	9,122,553	9,575,116	3,237,873	3,640,593	12,360,426	13,215,709
Total assets	<u>12,009,137</u>	<u>12,639,372</u>	<u>4,245,595</u>	<u>4,622,124</u>	<u>16,254,732</u>	<u>17,261,496</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	1,945,002	2,390,398	467,189	592,524	2,412,191	2,982,922
Other liabilities	255,105	279,085	255,005	174,581	510,110	453,666
Total liabilities	<u>2,200,107</u>	<u>2,669,483</u>	<u>722,194</u>	<u>767,105</u>	<u>2,922,301</u>	<u>3,436,588</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	7,286,863	7,282,046	2,803,350	3,081,433	10,090,213	10,363,479
Restricted	982,813	1,181,195			982,813	1,181,195
Unrestricted	<u>1,539,354</u>	<u>1,506,648</u>	<u>720,051</u>	<u>773,586</u>	<u>2,259,405</u>	<u>2,280,234</u>
Total net assets	<u>\$9,809,030</u>	<u>\$9,969,889</u>	<u>\$3,523,401</u>	<u>\$3,855,019</u>	<u>\$13,332,431</u>	<u>\$13,824,908</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$13,332,431. At year-end, net assets were \$9,809,030 and \$3,523,401 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 75.96% and 76.26% of total assets for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$7,286,863 and \$2,803,350 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$982,813 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,539,354 may be used to meet the government's ongoing obligations to citizens and creditors.

The following table shows the comparative analysis of changes in net assets for 2010 compared to 2009.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 998,732	\$1,210,842	\$1,764,367	\$1,698,037	\$ 2,763,099	\$ 2,908,879
Operating grants and contributions	372,013	327,560			372,013	327,560
Capital grants and contributions	104,643	423,684			104,643	423,684
Total program revenues	1,475,388	1,962,086	1,764,367	1,698,037	3,239,755	3,660,123
<b>General revenues:</b>						
Property taxes	139,985	134,477			139,985	134,477
Income taxes	2,441,640	1,970,453			2,441,640	1,970,453
Unrestricted grants and entitlements	379,944	334,802			379,944	334,802
Investment earnings	10,576	39,337			10,576	39,337
Miscellaneous	19,667	10,126			19,667	10,126
Gain on sale of capital assets	14,066	15,058			14,066	15,058
Total general revenues	3,005,878	2,504,253			3,005,878	2,504,253
Total revenues	4,481,266	4,466,339	1,764,367	1,698,037	6,245,633	6,164,376
<b>Expenses:</b>						
General government	1,074,656	1,480,465			1,074,656	1,480,465
Security of persons and property	2,223,821	1,936,897			2,223,821	1,936,897
Public health and welfare		29,552				29,552
Transportation	1,077,075	961,245			1,077,075	961,245
Leisure time activity	195,441	198,011			195,441	198,011
Economic development		100,000				100,000
Interest and fiscal charges	71,132	80,474			71,132	80,474
Water			957,498	919,879	957,498	919,879
Sewer			769,419	657,995	769,419	657,995
Refuse			369,068	315,196	369,068	315,196
Total expenses	4,642,125	4,786,644	2,095,985	1,893,070	6,738,110	6,679,714
Change in net assets	(160,859)	(320,305)	(331,618)	(195,033)	(492,477)	(515,338)
Net assets at beginning of year	9,969,889	10,290,194	3,855,019	4,050,052	13,824,908	14,340,246
Net assets at end of year	<u>\$9,809,030</u>	<u>\$9,969,889</u>	<u>\$3,523,401</u>	<u>\$3,855,019</u>	<u>\$13,332,431</u>	<u>\$13,824,908</u>

**Governmental Activities**

Governmental activities net assets decreased \$160,859 in 2010 compared to a \$320,305 decrease in net assets in 2009. This is a result of decreasing revenues derived from charges for services and capital grants and contributions.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,223,821 or 47.91% of the total expenses of the City. Security of persons and property expenses were partially funded by \$853,128 in direct charges to users of the services. General government expenses totaled \$1,074,656. General government expenses were partially funded by \$88,792 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$372,013 in operating grants and contributions and \$104,643 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

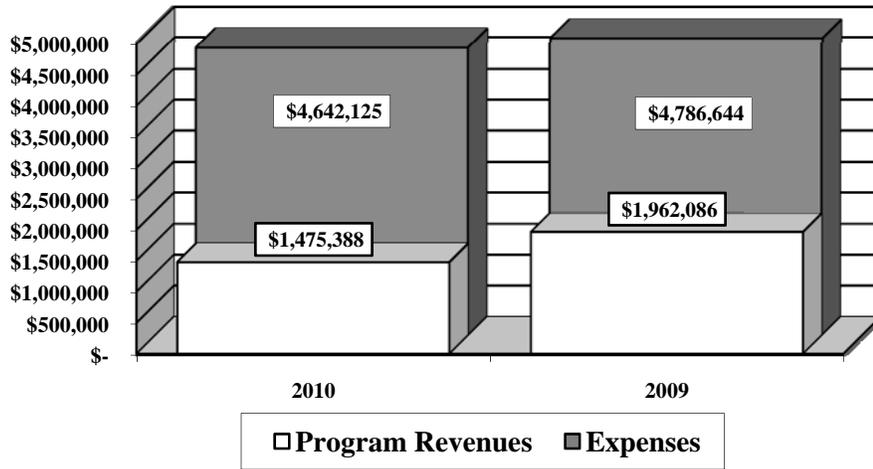
**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

General revenues totaled \$3,005,878 and amounted to 67.08% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,581,625. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$379,944.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 compared to 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**Governmental Activities - Program Revenues vs. Total Expenses**



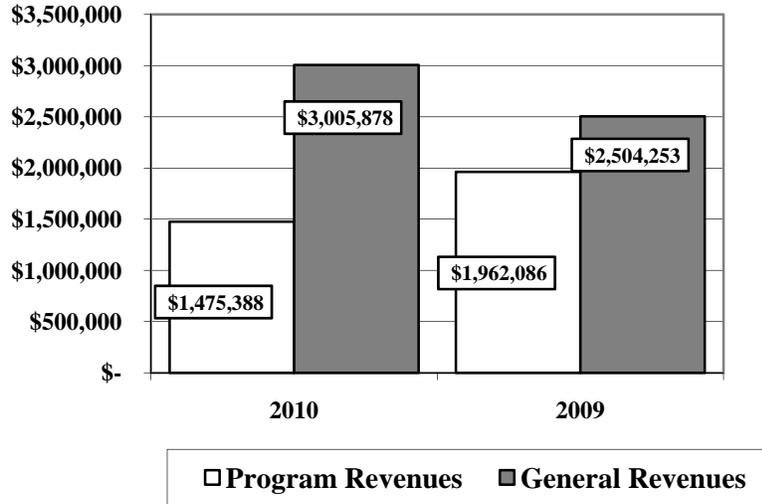
	<b>Governmental Activities</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
<b>Program Expenses:</b>				
General government	\$1,074,656	\$ 985,864	\$1,480,465	\$1,391,234
Security of persons and property	2,223,821	1,368,578	1,936,897	1,077,478
Public health and welfare			29,552	
Transportation	1,077,075	599,711	961,245	32,085
Leisure time activity	195,441	141,452	198,011	143,287
Economic development			100,000	100,000
Interest and fiscal charges	71,132	71,132	80,474	80,474
<b>Total</b>	<b>\$4,642,125</b>	<b>\$3,166,737</b>	<b>\$4,786,644</b>	<b>\$2,824,558</b>

The dependence upon general revenues for governmental activities is apparent, with 68.22% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2010.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

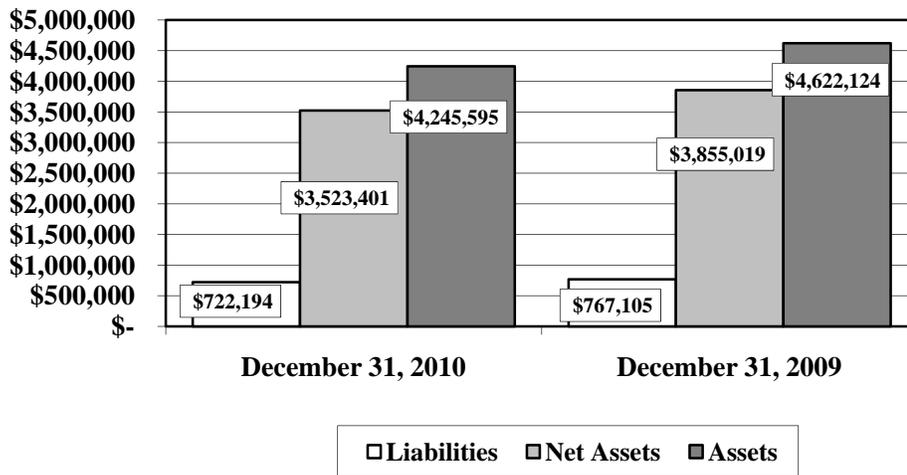
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$1,764,367 and expenses of \$2,095,985 for 2010. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business - Type Activities**



**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$2,058,488 which is \$62,155 below last year's total of \$2,120,643. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and non-major governmental funds.

	<u>Fund Balances 12/31/2010</u>	<u>Fund Balances 12/31/2009</u>	<u>Increase (Decrease)</u>
<b>Major funds:</b>			
General	\$1,145,345	\$1,022,129	\$123,216
Street construction maintenance and repair	176,469	188,713	(12,244)
Bond retirement	469	1,261	(792)
Fire capital improvement	500,486	602,288	(101,802)
Other non-major governmental funds	235,719	306,252	(70,533)
Total	<u>\$2,058,488</u>	<u>\$2,120,643</u>	<u>(\$ 62,155)</u>

**General Fund**

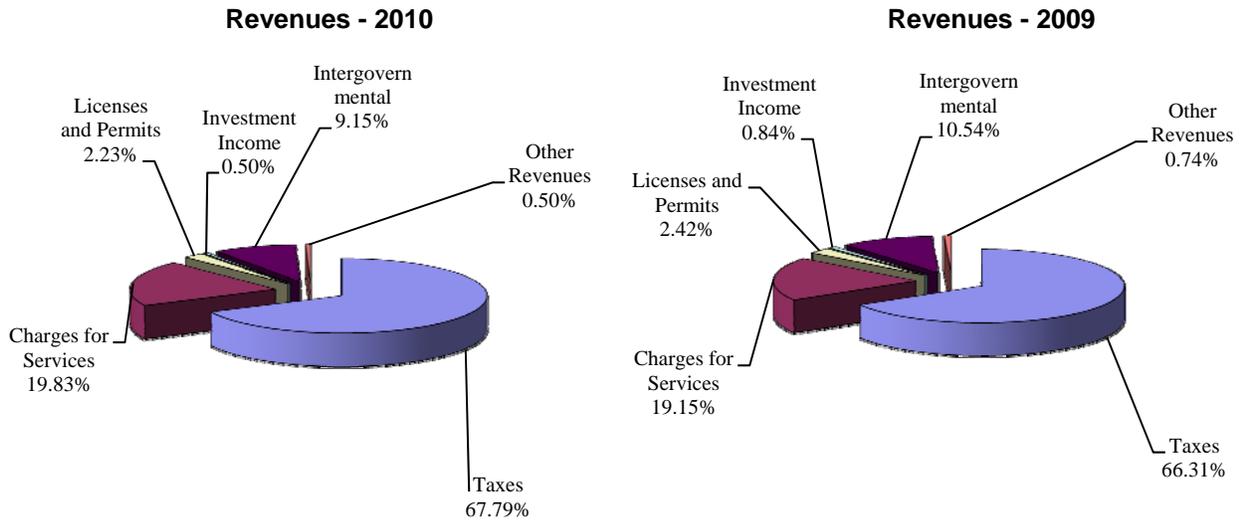
The City's general fund balance increased \$123,216. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Taxes	\$2,622,070	\$2,222,296	17.99 %
Charges for services	767,161	641,869	19.52 %
Licenses, permits and fees	86,249	80,984	6.50 %
Investment income	19,215	28,229	(31.93) %
Intergovernmental	354,223	353,247	0.28 %
Other	19,223	24,780	(22.43) %
Total	<u>\$3,868,141</u>	<u>\$3,351,405</u>	15.42 %

The City's largest revenue source in the general fund was tax revenue, which represents 67.79% of all general fund revenue. Tax revenues increased 17.99% due to an increase in income tax revenues. Revenues related to licenses, permits and fees increased 6.50% due to an increase in revenues related to building permits, electric and heating permits and fines and forfeits. Investment income decreased 31.93% due to a decrease in interest rates and amounts being invested. The 0.28% increase in intergovernmental income is due an increase in motel tax receipts during 2010.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

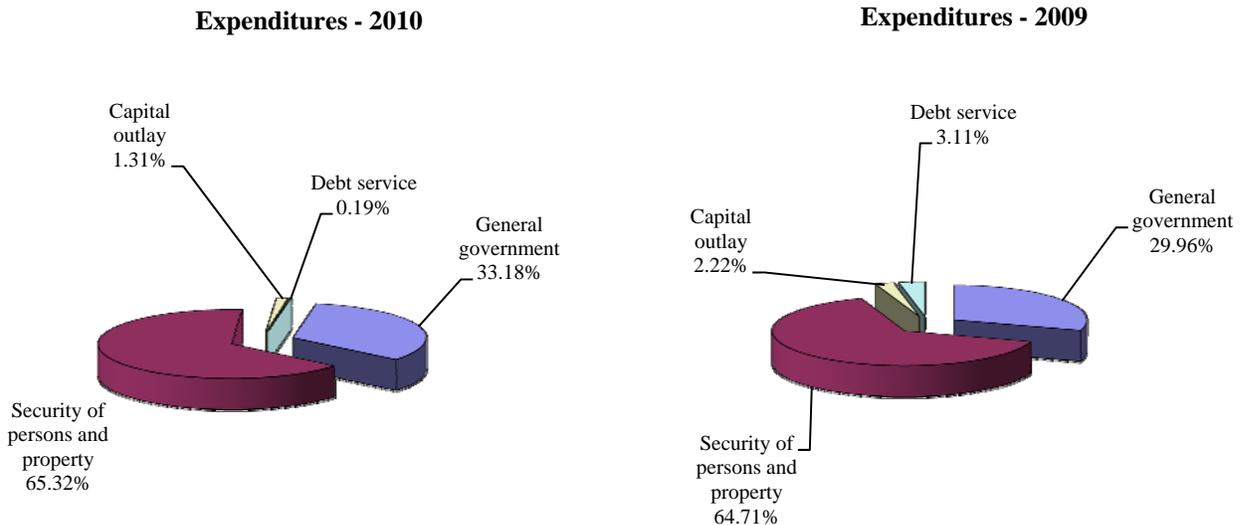
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**



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

	<b>2010 Amount</b>	<b>2009 Amount</b>	<b>Percentage Change</b>
<b>Expenditures:</b>			
General government	\$ 962,157	\$ 831,073	15.77 %
Security of persons and property	1,894,224	1,794,938	5.53 %
Capital outlay	38,013	61,624	(38.31) %
Debt service	5,402	86,241	(93.74) %
<b>Total</b>	<b><u>\$2,899,796</u></b>	<b><u>\$2,773,876</u></b>	<b>4.54 %</b>

Expenditures increased by 4.54% during 2010. Capital outlay decreased primarily due to the City purchasing less equipment in 2010 compared to 2009 due to budget cuts.



**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

***Budgeting Highlights***

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

Budgetary information is presented for the general fund and for the street construction maintenance and repair fund. In the general fund, the actual revenues and financing sources came in \$95,986 higher than they were in the final budget and actual expenditures and other financing uses were \$291,976 less than the amount in the final budget. Budgeted revenues and other financing sources as well as budgeted expenditures and other financing uses remained the same between the original and final budget.

***Street Construction Maintenance and Repair Fund***

The street construction maintenance and repair fund had revenues and other financing sources of \$612,534 in 2010. The expenditures of the street construction maintenance and repair fund, totaled \$624,778 in 2010. The net decrease in fund balance for the street construction maintenance and repair fund was \$12,244 or 6.49%.

***Bond Retirement Fund***

The bond retirement fund had revenues and other financing sources of \$1,125,967 in 2010. The expenditures of the bond retirement fund, totaled \$1,126,759 in 2010. The net decrease in fund balance for the bond retirement fund was \$792 or 62.81%.

***Fire Capital Improvement Fund***

The fire capital improvement fund had revenues of \$156,820 in 2010. The expenditures of the fire capital improvement fund, totaled \$258,622 in 2010. The net decrease in fund balance for the fire capital improvement fund was \$101,802 or 16.90%.

***Proprietary Funds***

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2010, the City had \$12,360,426 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Of this total, \$9,122,553 was reported in governmental activities and \$3,237,873 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2010 balances compared to 2009.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

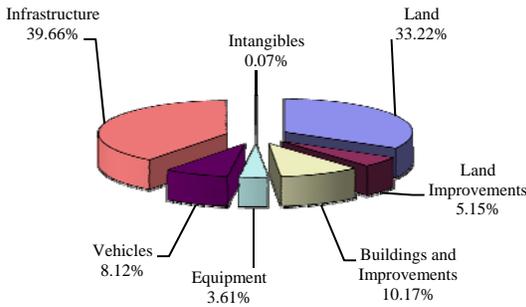
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

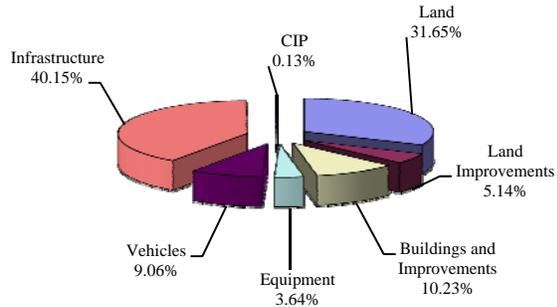
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$3,030,200	\$3,030,200	\$ 32,388	\$ 32,388	\$ 3,062,588	\$ 3,062,588
Land improvements	469,880	492,071	2,566,887	2,923,332	3,036,767	3,415,403
Buildings and improvements	927,507	979,210	168,111	175,156	1,095,618	1,154,366
Equipment	329,479	348,065	40,252	47,565	369,731	395,630
Software	6,024				6,024	
Vehicles	740,709	867,811	18,338	21,436	759,047	889,247
Infrastructure	3,618,754	3,845,060	411,897	440,716	4,030,651	4,285,776
Construction in progress		12,699				12,699
<b>Totals</b>	<b>\$9,122,553</b>	<b>\$9,575,116</b>	<b>\$3,237,873</b>	<b>\$3,640,593</b>	<b>\$12,360,426</b>	<b>\$13,215,709</b>

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities 2010**



**Capital Assets - Governmental Activities 2009**



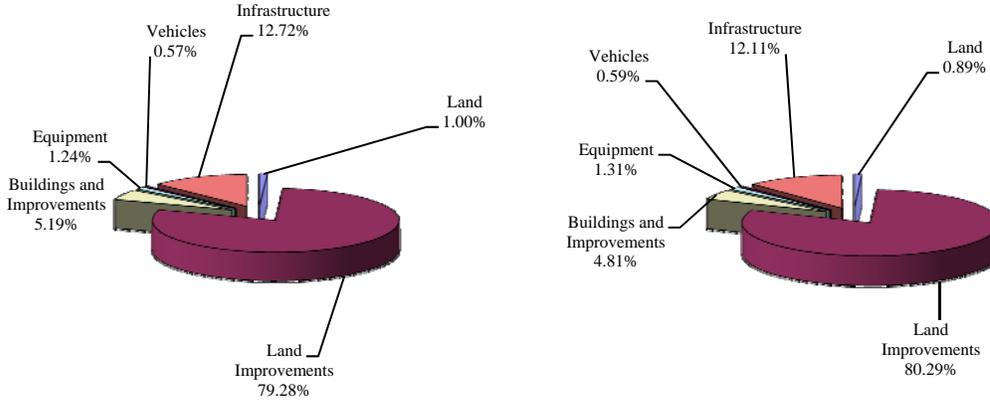
Infrastructure is the largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 39.66% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**Capital Assets - Business - Type Activities 2010      Capital Assets - Business - Type Activities 2009**



The City's largest business-type capital asset category is land improvements which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's land improvements (cost less accumulated depreciation) represents approximately 79.28% of the City's total business-type capital assets.

***Debt Administration***

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Note payable	\$ 980,000	\$1,025,000
OPWC loan	15,504	
Capital lease payable	12,904	17,085
Fire truck lease obligation	77,282	165,985
Bond anticipation note	750,000	1,085,000
Compensated absences	109,312	97,328
<b>Total long-term obligations</b>	<b>\$1,945,002</b>	<b>\$2,390,398</b>
	<b>Business-type Activities</b>	
	<b>2010</b>	<b>2009</b>
OPWC loans	\$434,523	\$514,449
OWDA loan		44,711
Compensated absences	32,666	33,364
<b>Total long-term obligations</b>	<b>\$467,189</b>	<b>\$592,524</b>

See Note 13 to the basic financial statements for detail on the City's long-term obligations.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**Economic Conditions and Outlook**

Historic, unprecedented, troubling, these are just a few adjectives used all too frequently when describing our economic conditions that continued through a good portion of 2010. Seldom have local governments faced such uncertain times. Declining real estate values, rising foreclosures, reduced consumer spending and increased business closures are changing the landscape of many communities and eroding local government revenue. At the same time, demand for public services is increasing, as a concerned public looks to its local government for assistance.

The City's Administration considers the impact of various economic factors when establishing the fiscal year budget. The continued challenges resulting from: local and regional loss of employment, reduction of revenue due to unprecedented interest rates, a non-existent residential building market and sluggish economic development have yielded significant influence on the objectives established in the budget the last few years.

Despite the uncertainty still surrounding the economy, the City continues to carefully monitor two primary sources of revenue, local income taxes and shared intergovernmental (state) revenue. Due to the economic climate that we are still facing, several local employers, both large and small experienced continued layoffs in early 2010 along with business closures. By mid 2010, several of our larger employers began to bring their work force back to their pre-2008 employment numbers. We continued to see employment growth at our two businesses in the North Brook Industrial Park. These additional jobs helped offset some of the income tax revenue we lost due to jobs losses throughout the City. Two of our larger employers in the Mosier Industrial Park hired additional employees in December 2010 due to job growth with possible expansion in 2011.

In order to stabilize the impact of the fluctuations in these revenue streams, City Council continues to pursue economic development and job creation, in order to maintain the community's reputation for high public safety standards and adoption of a budget designed to promote long-term fiscal stability. A strong and sound economy is vital to maintaining and improving the quality of life here in the City of Brookville.

A substantial portion of our General Fund revenues (64.59%) comes from the City's 1.75 percent income tax. The City received income tax cash receipts totaling \$2,409,346 in 2010 an increase of \$334,929 or 16.15% from the previous year.

The City continues to spend its valuable resources on public safety. The City's dedication to public safety is evident in the fact that 33.30% and 18.10% of the General Fund expenditures are spent towards police and fire protection, respectively.

In recent years, the City's general fund cash balance has declined from \$1.2 million in 2001 to \$702,930 in 2010. Most of that can be attributed to the ongoing economic depression, flat revenue from local government funds, the fluctuation of the inheritance (estate) tax and of course ongoing expenses that seem to grow at a faster rate than revenues coming in. Overall, the City still experienced a successful year in 2010. Service levels were maintained and the City started and completed several capital improvement projects that will have a lasting impact on the City for years to come. As the City continues to acquire new businesses and assisting existing businesses with their expansions, balances in the general fund should stabilize and begin to grow again.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, 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: Sonja Keaton, Director of Finance, 301 Sycamore Street, Brookville, Ohio 45309.

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**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$1,572,733	\$417,991	\$1,990,724
<b>Receivables (net of allowances for uncollectibles):</b>			
Income taxes	491,516		491,516
Real and other taxes	133,378		133,378
Accounts	143,937	561,763	705,700
Accrued interest	2,571		2,571
Special assessments	731		731
Due from other governments	354,424		354,424
Notes receivable	120,821		120,821
Pre-payments	44,412	11,083	55,495
Materials and supplies inventory	22,061	16,885	38,946
<b>Capital assets:</b>			
Land	3,030,200	32,388	3,062,588
Depreciable capital assets, net	6,092,353	3,205,485	9,297,838
Total capital assets	<u>9,122,553</u>	<u>3,237,873</u>	<u>12,360,426</u>
Total assets	<u>12,009,137</u>	<u>4,245,595</u>	<u>16,254,732</u>
<b>Liabilities:</b>			
Accounts payable	45,195	245,723	290,918
Accrued wages and benefits	10,097	3,418	13,515
Due to other governments	31,455	5,385	36,840
Pension obligation payable	41,711	479	42,190
Unearned revenue	126,647		126,647
<b>Long-term liabilities:</b>			
Due within one year	923,438	59,323	982,761
Due in more than one year	1,021,564	407,866	1,429,430
Total liabilities	<u>2,200,107</u>	<u>722,194</u>	<u>2,922,301</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	7,286,863	2,803,350	10,090,213
<b>Restricted for:</b>			
Capital projects	650,609		650,609
Debt service	66,164		66,164
Other purposes	266,040		266,040
Unrestricted	1,539,354	720,051	2,259,405
Total net assets	<u>\$9,809,030</u>	<u>\$3,523,401</u>	<u>\$13,332,431</u>

See accompanying notes to the basic financial statements.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
<b>Current:</b>				
General government	\$1,074,656	\$88,792		
Security of persons and property	2,223,821	853,128	\$1,920	\$195
Transportation	1,077,075	8,516	364,400	104,448
Leisure time activity	195,441	48,296	5,693	
Interest and fiscal charges	71,132			
Total governmental activities	<u>4,642,125</u>	<u>998,732</u>	<u>372,013</u>	<u>104,643</u>
<b>Business-Type Activities:</b>				
Water	957,498	927,255		
Sewer	769,419	462,225		
Refuse	369,068	374,887		
Total business-type activities	<u>2,095,985</u>	<u>1,764,367</u>		
Total primary government	<u>\$6,738,110</u>	<u>\$2,763,099</u>	<u>\$372,013</u>	<u>\$104,643</u>

**General Revenues:**

**Property taxes levied for:**

General purposes

**Income taxes levied for:**

General purposes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

*See accompanying notes to the basic financial statements.*

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
(\$985,864)		(\$985,864)
(1,368,578)		(1,368,578)
(599,711)		(599,711)
(141,452)		(141,452)
(71,132)		(71,132)
<u>(3,166,737)</u>		<u>(3,166,737)</u>
	(\$30,243)	(30,243)
	(307,194)	(307,194)
	5,819	5,819
	<u>(331,618)</u>	<u>(331,618)</u>
<u>(3,166,737)</u>	<u>(331,618)</u>	<u>(3,498,355)</u>
139,985		139,985
2,441,640		2,441,640
379,944		379,944
10,576		10,576
19,667		19,667
14,066		14,066
<u>3,005,878</u>		<u>3,005,878</u>
(160,859)	(331,618)	(492,477)
<u>9,969,889</u>	<u>3,855,019</u>	<u>13,824,908</u>
<u>\$9,809,030</u>	<u>\$3,523,401</u>	<u>\$13,332,431</u>

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Bond Retirement</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$703,079	\$138,380	\$469
<b>Receivables (net of allowance for uncollectibles):</b>			
Income taxes	491,516		
Real and other taxes	133,378		
Accounts	142,831	1,106	
Accrued interest	2,568	3	
Special assessments			
Due from other governments	190,612	157,230	
Notes receivable	120,821		
Pre-payments	35,136	7,899	
Materials and supplies inventory	12,831	9,230	
Total assets	<u>1,832,772</u>	<u>313,848</u>	<u>469</u>
<b>Liabilities:</b>			
Accounts payable	37,244	6,225	
Accrued wages and benefits	7,751	2,067	
Due to other governments	26,828	4,112	
Pension obligation payable	41,383	289	
Unearned revenue	126,647		
Deferred revenue	447,574	124,686	
Total liabilities	<u>687,427</u>	<u>137,379</u>	
<b>Fund Balances:</b>			
Reserved for encumbrances		2,074	
Reserved for prepayments	35,136	7,899	
Reserved for materials and supplies inventory	12,831	9,230	
Reserved for debt service			469
<b>Unreserved, undesignated, reported in:</b>			
General fund	1,097,378		
Special revenue funds		157,266	
Capital projects funds			
Total fund balances	<u>1,145,345</u>	<u>176,469</u>	<u>469</u>
Total liabilities and fund balances	<u>\$1,832,772</u>	<u>\$313,848</u>	<u>\$469</u>

See accompanying notes to the basic financial statements.

<u>Fire Capital Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$500,305	\$230,500	\$1,572,733
		491,516
		133,378
		143,937
		2,571
	731	731
181	6,401	354,424
		120,821
	1,377	44,412
		22,061
<u>500,486</u>	<u>239,009</u>	<u>2,886,584</u>
	1,726	45,195
	279	10,097
	515	31,455
	39	41,711
		126,647
	731	572,991
	<u>3,290</u>	<u>828,096</u>
3,574	76	5,724
	1,377	44,412
		22,061
	65,695	66,164
		1,097,378
	19,179	176,445
496,912	149,392	646,304
<u>500,486</u>	<u>235,719</u>	<u>2,058,488</u>
<u>\$500,486</u>	<u>\$239,009</u>	<u>\$2,886,584</u>

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

Total governmental fund balances	\$2,058,488
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*Amounts reported for governmental activities on the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,122,553
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Income taxes receivable	\$224,911	
Real and other taxes receivable	6,731	
Charges for services receivable	121,927	
Licenses, permits and fees receivable	9,832	
Intergovernmental revenues receivable	206,382	
Special assessments receivable	731	
Investment income receivable	2,477	
Total		572,991

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:

Compensated absences	(109,312)	
Bond anticipation note payable	(750,000)	
Capital lease payable	(90,186)	
Note payable		
Loan payable	(15,504)	
Note payable	(980,000)	
Total		(1,945,002)

Net assets of governmental activities	<u><u>\$9,809,030</u></u>
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*See accompanying notes to the basic financial statements.*

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**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Bond Retirement</u>
<b>Revenues:</b>			
Municipal income taxes	\$2,483,510		
Real and other taxes	138,560		
Charges for services	767,161	\$7,410	
Licenses, permits and fees	86,249		
Intergovernmental	354,223	288,920	
Special assessments			
Investment income	19,215	415	\$58
Rental income	19,218		
Donations	5		
Other		73,562	
Total revenues	<u>3,868,141</u>	<u>370,307</u>	<u>58</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	962,157		
Security of persons and property	1,894,224		
Transportation		623,055	
Leisure time activity			
Capital outlay	38,013		
<b>Debt service:</b>			
Principal retirement	4,181	1,723	1,085,000
Interest and fiscal charges	1,221		30,651
Note issuance costs			11,108
Total expenditures	<u>2,899,796</u>	<u>624,778</u>	<u>1,126,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>968,345</u>	<u>(254,471)</u>	<u>(1,126,701)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	9,672		
Sale of notes			750,000
Loan proceeds		17,227	
Transfers in		225,000	364,801
Transfers out	(854,801)		
Premium on note issuance			11,108
Total other financing sources (uses)	<u>(845,129)</u>	<u>242,227</u>	<u>1,125,909</u>
Net change in fund balances	123,216	(12,244)	(792)
Fund balances at beginning of year	1,022,129	188,713	1,261
Fund balances at end of year	<u>\$1,145,345</u>	<u>\$176,469</u>	<u>\$469</u>

*See accompanying notes to the basic financial statements.*

<b>Fire Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
		\$2,483,510
		138,560
\$156,625	\$23,914	955,110
	24,440	110,689
	97,147	740,290
	10,297	10,297
		19,688
		19,218
195	3,866	4,066
	3,747	77,309
<u>156,820</u>	<u>163,411</u>	<u>4,558,737</u>
		962,157
	3,284	1,897,508
		623,055
	120,718	120,718
163,887	315,405	517,305
		1,224,607
88,703	45,000	71,132
6,032	33,228	11,108
<u>258,622</u>	<u>517,635</u>	<u>5,427,590</u>
<u>(101,802)</u>	<u>(354,224)</u>	<u>(868,853)</u>
		28,363
	18,691	750,000
		17,227
	265,000	854,801
		(854,801)
		11,108
	<u>283,691</u>	<u>806,698</u>
(101,802)	(70,533)	(62,155)
602,288	306,252	2,120,643
<u>\$500,486</u>	<u>\$235,719</u>	<u>\$2,058,488</u>

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds (\$62,155)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$102,460	
Current year depreciation	<u>(540,726)</u>	
Total		(438,266)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (14,297)

Proceeds of notes and loans are recognized as other financing sources in the governmental funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (767,227)

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

Income taxes	(41,870)	
Real and other taxes	1,425	
Charges for services	(67,067)	
Licenses, permits and fees	444	
Intergovernmental revenues	27,224	
Special assessments	(2,996)	
Investment income	<u>(8,697)</u>	
Total		(91,537)

Repayment of capital lease and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,224,607

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (11,984)

Change in net assets of governmental activities (\$160,859)

*See accompanying notes to the basic financial statements.*

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Municipal income taxes	\$2,522,295	\$2,522,295	\$2,588,916	\$66,621
Real and other taxes	134,994	134,994	138,560	3,566
Charges for services	740,457	740,457	760,015	19,558
Licenses, permits and fees	85,271	85,271	87,523	2,252
Intergovernmental	103,765	103,765	106,506	2,741
Investment income	18,723	18,723	19,218	495
Rental income	19,089	19,089	19,593	504
Donations	5	5	5	
Total revenues	<u>3,624,599</u>	<u>3,624,599</u>	<u>3,720,336</u>	<u>95,737</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	975,262	975,262	969,265	5,997
Security of persons and property	2,020,178	2,020,178	1,907,103	113,075
Capital outlay	71,000	71,000	38,013	32,987
Total expenditures	<u>3,066,440</u>	<u>3,066,440</u>	<u>2,914,381</u>	<u>152,059</u>
Excess of revenues over expenditures	<u>558,159</u>	<u>558,159</u>	<u>805,955</u>	<u>247,796</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	9,423	9,423	9,672	249
Transfers out	(994,718)	(994,718)	(854,801)	139,917
Total other financing sources (uses)	<u>(985,295)</u>	<u>(985,295)</u>	<u>(845,129)</u>	<u>140,166</u>
Net change in fund balance	(427,136)	(427,136)	(39,174)	387,962
Fund balance at beginning of year	736,249	736,249	736,249	
Prior year encumbrances appropriated	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	
Fund balance at end of year	<u><u>\$311,553</u></u>	<u><u>\$311,553</u></u>	<u><u>\$699,515</u></u>	<u><u>\$387,962</u></u>

*See accompanying notes to the basic financial statements.*

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$8,278	\$8,278	\$8,198	(\$80)
Intergovernmental	291,623	291,623	288,658	(2,965)
Investment income	416	416	412	(4)
Other	74,275	74,275	73,562	(713)
Total revenues	<u>374,592</u>	<u>374,592</u>	<u>370,830</u>	<u>(3,762)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Transportation	710,412	710,412	620,870	89,542
<b>Debt service:</b>				
Principal retirement	1,971	1,971	1,723	248
Total expenditures	<u>712,383</u>	<u>712,383</u>	<u>622,593</u>	<u>89,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(337,791)</u>	<u>(337,791)</u>	<u>(251,763)</u>	<u>86,028</u>
<b>Other financing sources:</b>				
Loan proceeds	17,227	17,227	17,227	
Transfers in	227,181	227,181	225,000	(2,181)
Total other financing sources	<u>244,408</u>	<u>244,408</u>	<u>242,227</u>	<u>(2,181)</u>
Net change in fund balance	(93,383)	(93,383)	(9,536)	83,847
Fund balance at beginning of year	140,692	140,692	140,692	
Prior year encumbrances appropriated	3,383	3,383	3,383	
Fund balance at end of year	<u>\$50,692</u>	<u>\$50,692</u>	<u>\$134,539</u>	<u>\$83,847</u>

*See accompanying notes to the basic financial statements.*

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Equity in pooled cash and cash equivalents	\$170,822	\$139,946	\$107,223	\$417,991
<b>Receivables (net of allowance for uncollectibles):</b>				
Accounts	298,426	145,653	117,684	561,763
Prepayments	2,749	5,249	3,085	11,083
Materials and supplies inventory	15,788	1,097		16,885
Total current assets	<u>487,785</u>	<u>291,945</u>	<u>227,992</u>	<u>1,007,722</u>
<b>Non-current assets:</b>				
<b>Capital assets:</b>				
Land		32,388		32,388
Depreciable capital assets, net	421,392	2,779,787	4,306	3,205,485
Total capital assets	<u>421,392</u>	<u>2,812,175</u>	<u>4,306</u>	<u>3,237,873</u>
Total assets	<u>909,177</u>	<u>3,104,120</u>	<u>232,298</u>	<u>4,245,595</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	188,020	45,961	11,742	245,723
Accrued wages and benefits	1,006	1,256	1,156	3,418
Compensated absences	5,510	6,344	6,899	18,753
Due to other governments	1,585	1,823	1,977	5,385
Pension obligation payable	141	176	162	479
Current portion of OPWC loans	16,723	23,847		40,570
Total current liabilities	<u>212,985</u>	<u>79,407</u>	<u>21,936</u>	<u>314,328</u>
<b>Long-term liabilities:</b>				
Compensated absences	4,009	4,716	5,188	13,913
OPWC loans payable	90,098	303,855		393,953
Total long-term liabilities	<u>94,107</u>	<u>308,571</u>	<u>5,188</u>	<u>407,866</u>
Total liabilities	<u>307,092</u>	<u>387,978</u>	<u>27,124</u>	<u>722,194</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	314,571	2,484,473	4,306	2,803,350
Unrestricted	287,514	231,669	200,868	720,051
Total net assets	<u>\$602,085</u>	<u>\$2,716,142</u>	<u>\$205,174</u>	<u>\$3,523,401</u>

See accompanying notes to the basic financial statements.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$923,505	\$447,673	\$374,887	\$1,746,065
Tap-in fees	3,750	14,552		18,302
Total operating revenues	<u>927,255</u>	<u>462,225</u>	<u>374,887</u>	<u>1,764,367</u>
<b>Operating expenses:</b>				
Personal services	147,228	168,240	184,478	499,946
Contract services	748,894	218,895	150,221	1,118,010
Materials and supplies		33,791	33,863	67,654
Depreciation	54,821	347,393	506	402,720
Total operating expenses	<u>950,943</u>	<u>768,319</u>	<u>369,068</u>	<u>2,088,330</u>
Operating income (loss)	<u>(23,688)</u>	<u>(306,094)</u>	<u>5,819</u>	<u>(323,963)</u>
<b>Non-operating expenses:</b>				
Interest expense and fiscal charges	<u>(6,555)</u>	<u>(1,100)</u>		<u>(7,655)</u>
Total non-operating expenses	<u>(6,555)</u>	<u>(1,100)</u>		<u>(7,655)</u>
Net income (loss)	(30,243)	(307,194)	5,819	(331,618)
Net assets at beginning of year	<u>632,328</u>	<u>3,023,336</u>	<u>199,355</u>	<u>3,855,019</u>
Net assets at end of year	<u>\$602,085</u>	<u>\$2,716,142</u>	<u>\$205,174</u>	<u>\$3,523,401</u>

*See accompanying notes to the basic financial statements.*

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Refuse</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$894,403	\$428,639	\$377,571	\$1,700,613
Cash received from tap-in fees	3,750	14,552		18,302
Cash payments for personal services	(148,091)	(170,074)	(184,222)	(502,387)
Cash payments for contract services	(706,196)	(180,482)	(150,808)	(1,037,486)
Cash payments for materials and supplies	(15,390)	(33,850)	(34,172)	(83,412)
Net cash provided by operating activities.	<u>28,476</u>	<u>58,785</u>	<u>8,369</u>	<u>95,630</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal retirement on OPWC loans	(32,232)	(47,694)		(79,926)
Principal retirement on OWDA loan		(44,711)		(44,711)
Interest and fiscal charges	(6,555)	(1,100)		(7,655)
Net cash used in capital and related financing activities	<u>(38,787)</u>	<u>(93,505)</u>		<u>(132,292)</u>
Net increase (decrease) in cash and cash equivalents	(10,311)	(34,720)	8,369	(36,662)
Cash and cash equivalents at beginning of year	<u>181,133</u>	<u>174,666</u>	<u>98,854</u>	<u>454,653</u>
Cash and cash equivalents at end of year	<u>170,822</u>	<u>139,946</u>	<u>107,223</u>	<u>417,991</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	(23,688)	(306,094)	5,819	(323,963)
<b>Adjustments:</b>				
Depreciation	54,821	347,393	506	402,720
<b>Changes in assets and liabilities:</b>				
(Increase) decrease in accounts receivable	(29,102)	(19,034)	2,684	(45,452)
(Increase) decrease in materials and supplies inventory	(15,788)	106		(15,682)
(Increase) in prepayments	(579)	(367)	(773)	(1,719)
Increase (decrease) in accounts payable	42,996	38,202	(835)	80,363
Increase in accrued wages and benefits	577	723	665	1,965
(Decrease) in due to other governments	(642)	(956)	(581)	(2,179)
Increase (decrease) in compensated absences	(200)	(1,289)	791	(698)
Increase in pension obligation payable	81	101	93	275
Net cash provided by operating activities	<u>\$28,476</u>	<u>\$58,785</u>	<u>\$8,369</u>	<u>\$95,630</u>

See accompanying notes to the basic financial statements.

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**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. DESCRIPTION OF THE CITY**

The City of Brookville (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a council-manager government and provides the following services: police protection, fire and EMS services, water, sewer and refuse utility services, street maintenance and repair, parks, recreation, as well as other services.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The primary government consists of all funds and departments which provide various services including police protection, fire and EMS services, street maintenance and repair, parks, recreation, water, sewer and refuse services. Council and the City Manager are directly responsible for these activities. The accompanying financial statements present the City, which has no component units.

**B. Basis of Presentation - Fund Accounting**

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

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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

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

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

**C. Fund Accounting**

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

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

**General fund** - The general fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, and the general administration of City functions.

**Street construction, maintenance and repair fund** - This fund accounts for all transactions relating to street maintenance and construction.

**Bond retirement fund** - This fund accounts for all transactions relating to the retirement of bond anticipation notes.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**Fire capital improvement fund** - The fire capital improvement fund accounts for revenues collected through EMS receipts to be used for construction and improvements relating to the fire department.

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

- 2. Proprietary Funds** - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows.

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

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

**Sewer fund** - The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

**Refuse fund** - The refuse fund accounts for the operations providing refuse removal to the residents and commercial users located within the City.

- 3. Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no fiduciary funds.

**D. Measurement Focus and Basis of Accounting**

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

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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

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 operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**E. Basis of Accounting**

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

- 2. Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes, special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

**F. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code (ORC) and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The Montgomery County Commissioners waived the requirement to file a tax budget for 2010. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

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

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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

**G. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances for governmental funds since they do not constitute expenditures or liabilities.

**H. Cash and Cash Equivalents**

Cash balances of the City's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank accounts is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2010, investments were limited to negotiable and nonnegotiable certificates of deposit, investments in State Treasury Asset Reserve of Ohio (STAR Ohio) and U.S. Government money markets. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2010.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2010 amounted to \$19,215, which included \$12,465 assigned from other funds of the City.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**I. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

**J. Notes Receivable**

Notes receivable represent the right to receive repayment for a mortgage note made by the City. This note is based upon written agreements between the City and the note recipient.

**K. Capital Assets**

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

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

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. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	20 years	20 years
Buildings and improvements	20-50 years	20-50 years
Equipment	5-20 years	5-20 years
Software	5-10 years	5-10 years
Vehicles	8-10 years	8-10 years
Infrastructure	20 years	20 years

**L. Compensated Absences**

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

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. Payment of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

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

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

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**N. Interfund Activity**

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

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

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

**O. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies inventory, debt service and prepayments in the governmental fund financial statements.

**P. Estimates**

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes consist primarily of street construction maintenance and repair, programs to enhance the security of persons and property and the parks and recreation.

**R. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2010 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 resulted in the capitalization of software in the amount of \$6,693. The City has reported intangible assets on a separate line in Note 10 and has reflected intangible assets as indicated in the financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2), above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At year end, the City had \$200 in un-deposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**4 - DEPOSITS AND INVESTMENTS (Continued)**

**B. Deposits with Financial Institutions**

At December 31, 2010, the carrying amount of all City deposits was \$1,068,781. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$493,730 of the City's bank balance of \$1,297,867 was exposed to custodial risk as discussed below, while \$804,137 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal 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 State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**C. Investments**

As of December 31, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$460,182	\$460,182	
U.S. Government money market	11,329	11,329	
Negotiable CD's	450,232	350,000	\$100,232
Total	\$921,743	\$821,511	\$100,232

The weighted average maturity of investments is .24 years.

**Interest Rate Risk:** The City limits its investments to those authorized by State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Credit Risk:** STAR Ohio and the U.S. Government money market carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**Custodial Credit Risk:** For an investment, 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 investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**4 - DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk:** The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$460,182	49.92
U.S. Government money market	11,329	1.23
Negotiable CD's	450,232	48.85
Total	<u>\$921,743</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

**Cash and investments per note:**

Carrying amount of deposits	\$1,068,781
Investments	921,743
Cash on hand	200
Total	<u>\$1,990,724</u>

**Cash and investments per statement of net assets:**

Governmental activities	\$1,572,733
Business-type activities	417,991
Total	<u>\$1,990,724</u>

**5. INTERFUND TRANSFERS**

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

Transfers from general fund to:

Street construction, maintenance and repair	\$225,000
Bond retirement	364,801
Non-major governmental funds	265,000
Total transfers	<u>\$854,801</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer assets purchased by governmental funds to enterprise funds.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Interfund transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2010-2011, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Brookville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010 was 1.3 mils of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property tax	\$108,048,040
Public utility personal property	1,937,110
Total assessed valuation	<u>\$109,985,150</u>

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**7. LOCAL INCOME TAX**

The 1.75 percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities as long as the City they work in has an income tax that is equal or greater than the City's 1.75 percent. If a resident works somewhere, where the tax is less than 1.75 percent or there is no income tax, they will have to pay the difference or all, depending on where they work. Employers within the city are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2010. Income tax revenue for 2010 was \$2,483,510 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

**8. RECEIVABLES**

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2010, as well as intended to finance 2010 operations.

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

<b>Governmental activities:</b>	
Income taxes	\$491,516
Real and other taxes	133,378
Accounts	143,937
Accrued interest	2,571
Special assessments	731
Due from other governments	354,424
<b>Business-type activities:</b>	
Accounts	561,763

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

**9. NOTES RECEIVABLE**

During 2007, the City loaned Western Ohio Properties, LLC. ("Western Ohio"), \$207,821, to assist in financing the cost of land at the City's industrial park. In consideration of the repayment of the note, Western Ohio shall begin making monthly payments of \$1,500 on April 15, 2008 and continue on the 15<sup>th</sup> day of each month until April 4, 2011, when the remaining principal at that time on the note shall become due and payable in full. Western Ohio Properties, LLC. made six payments, totaling \$67,500, during 2010. The City is taking legal action against Western Ohio Properties, LLC. for the remaining balance owed. At December 31, 2010, the balance of notes receivable was \$120,821.

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**10. CAPITAL ASSETS**

A. Governmental activities capital asset activity for the year ended December 31, 2010, was as follows:

<b>Governmental activities:</b>	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/10</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$3,030,200			\$3,030,200
Construction in progress	12,699		(\$12,699)	
Total capital assets, not being depreciated	<u>3,042,899</u>		<u>(12,699)</u>	<u>3,030,200</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	1,618,402	\$ 29,452		1,647,854
Buildings and improvements	1,747,479			1,747,479
Equipment	734,766	36,548	(28,038)	743,276
Software		6,693		6,693
Vehicles	2,015,320	42,466	(51,401)	2,006,385
Infrastructure	4,529,713			4,529,713
Total capital assets, being depreciated	<u>10,645,680</u>	<u>115,159</u>	<u>(79,439)</u>	<u>10,681,400</u>
<b>Less: accumulated depreciation:</b>				
Land improvements	(1,126,331)	(51,643)		(1,177,974)
Buildings and improvements	(768,269)	(51,703)		(819,972)
Equipment	(386,701)	(50,773)	23,677	(413,797)
Software		(669)		(669)
Vehicles	(1,147,509)	(159,632)	41,465	(1,265,676)
Infrastructure	(684,653)	(226,306)		(910,959)
Total accumulated depreciation	<u>(4,113,463)</u>	<u>(540,726)</u>	<u>65,142</u>	<u>(4,589,047)</u>
Total capital assets, being depreciated, net	<u>6,532,217</u>	<u>(425,567)</u>	<u>(14,297)</u>	<u>6,092,353</u>
Governmental activities capital assets, net	<u><u>\$9,575,116</u></u>	<u><u>(\$425,567)</u></u>	<u><u>(\$26,996)</u></u>	<u><u>\$9,122,553</u></u>

Depreciation expense was charged to governmental activities as follows:

<b>Governmental activities:</b>	
General government	\$39,149
Security of persons and property	149,706
Transportation	277,089
Leisure time activity	74,782
Total depreciation expense - governmental activities	<u><u>\$540,726</u></u>

B. Business-type activities capital asset activity for the year ended December 31, 2010 was as follows:

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**10. CAPITAL ASSETS (Continued)**

	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/10</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 32,388			\$ 32,388
Total capital assets, not being depreciated	<u>32,388</u>			<u>32,388</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	8,805,192			8,805,192
Buildings and improvements	352,271			352,271
Equipment	88,064			88,064
Vehicles	138,638			138,638
Infrastructure	576,368			576,368
Total capital assets, being depreciated	<u>9,960,533</u>			<u>9,960,533</u>
<b>Less: accumulated depreciation:</b>				
Land improvements	(5,881,860)	(\$356,445)		(6,238,305)
Buildings and improvements	(177,115)	(7,045)		(184,160)
Equipment	(40,499)	(7,313)		(47,812)
Vehicles	(117,202)	(3,098)		(120,300)
Infrastructure	(135,652)	(28,819)		(164,471)
Total accumulated depreciation	<u>(6,352,328)</u>	<u>(402,720)</u>		<u>(6,755,048)</u>
Total capital assets, being depreciated, net	<u>3,608,205</u>	<u>(402,720)</u>		<u>3,205,485</u>
Business-type activities capital assets, net	<u>\$3,640,593</u>	<u>(\$402,720)</u>	<u>\$0</u>	<u>\$3,237,873</u>

Depreciation expense was charged to the enterprise funds as follows:

<b>Business-type activities:</b>	
Water	\$ 54,821
Sewer	347,393
Refuse	506
Total depreciation expense - business-type activities	<u>\$402,720</u>

**11. VACATION AND SICK LEAVE LIABILITY**

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund. Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2010, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$43,921 and vested benefits for sick leave, totaled \$65,391. For proprietary fund types, vested benefits for vacation leave totaled \$18,753 and vested benefits for sick leave totaled \$13,913 at December 31, 2010. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

**CITY OF BROOKVILLE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**12. CAPITAL LEASES - LESSEE DISCLOSURE**

A. In prior years, the City entered into capital lease agreements for copiers and a file server. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$34,845. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$24,103, leaving a current book value of \$10,742. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2010 totaled \$4,181 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010.

Year Ending December 31,	Governmental Activities
2011	\$ 5,245
2012	4,459
2013	4,459
2014	371
Total Future minimum lease payments	14,534
Less: amount representing interest	(1,630)
Present value of net minimum lease payments	\$12,904

B. During 2007, the City entered into a capital lease agreement for a new fire truck. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of vehicles have been capitalized in the amount of \$421,361. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$131,675, leaving a current book value of \$289,686. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2010 totaled \$88,703, paid by the fire capital improvement fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2010.

Year Ending December 31,	Governmental Activities
2011	\$79,442
Total future minimum lease payments	79,442
Less: amount representing interest	(2,160)
Present value of net minimum lease payments	\$77,282

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

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

<b>Governmental activities:</b>	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/10</b>	<b>Amounts Due in One Year</b>
Bond anticipation note	\$1,085,000	\$750,000	(\$1,085,000)	\$ 750,000	\$750,000
Note payable	1,025,000		(45,000)	980,000	47,000
OPWC loan payable		17,227	(1,723)	15,504	861
Capital lease obligations	17,085		(4,181)	12,904	4,374
Fire truck lease obligation	165,985		(88,703)	77,282	77,282
Compensated absences	97,328	57,259	(45,275)	109,312	43,921
<b>Total governmental activities long-term obligations</b>	<b>\$2,390,398</b>	<b>\$824,486</b>	<b>(\$1,269,882)</b>	<b>\$1,945,002</b>	<b>\$923,438</b>

**Compensated absences:** Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid which will primarily be the General Fund, Street Construction, Maintenance and Repair Fund (a nonmajor governmental fund) and Parks and Recreation fund.

**Note payable:** In 2006, the City entered into a 20 year note to provide long-term financing for the industrial park. A portion of the note, \$700,000, bears a fixed rate of 4.62% while the remaining \$465,000 is variable. The notes are scheduled to mature on January 1, 2026, however the City consistently pays the principal and interest prior to the due date. Payments of principal and interest on the note are made from the debt service fund.

**Bond anticipation note:** On April 20, 2010, the City issued a \$750,000 bond anticipation note bearing a 2.750% interest rate. This note matures on April 20, 2011. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the note is considered a long-term obligation since it was refinanced prior to the issuance of the financial statements (See Note 19). Payments of principal and interest are paid from the bond retirement fund.

**OPWC loan payable:** The City entered into a debt financing arrangement through the Ohio Public Works Commission (OPWC) to fund improvements for the West Westbrook Road improvement project. The initial loan amount was for \$17,227, with semi-annual payments in January and July. Payments during 2010 totaled \$1,723. The loan matures January 1, 2020. Principal payments are made from the street construction, maintenance and repair fund.

The following is the summary of the City's future annual principal requirements for the OPWC loan:

<b>Year Ending December 31,</b>	<b>OPWC Loan Total</b>
2011	\$ 861
2012	1,723
2013	1,723
2014	1,723
2015	1,723
2016 - 2020	7,751
<b>Total</b>	<b>\$15,504</b>

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

The following is the summary of the City's future annual principal and interest requirements for the note payable:

<b>Year Ending December 31,</b>	<b>Note payable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 47,000	\$ 42,905	\$ 89,905
2012	49,000	40,800	89,800
2013	52,000	38,591	90,591
2014	54,000	36,261	90,261
2015	56,000	33,840	89,840
2016 - 2020	321,000	129,076	450,076
2020 - 2025	401,000	51,146	452,146
Total	<u>\$980,000</u>	<u>\$372,619</u>	<u>\$1,352,619</u>

B. During 2010, the following changes occurred in the City's business-type long-term liabilities:

<b>Business-type activities:</b>	<b>Interest Rate</b>	<b>Balance 12/31/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/10</b>	<b>Amounts Due in One Year</b>
<b>OPWC loans:</b>						
Water tower	5.00%	\$139,053		(\$ 32,232)	\$106,821	\$16,723
Wolf Creek sanitary trunk main	0.00%	12,500		(5,000)	7,500	2,500
Wastewater treatment plant	0.00%	362,896		(42,694)	320,202	21,347
Total OPWC loans		<u>514,449</u>		<u>(79,926)</u>	<u>434,523</u>	<u>40,570</u>
<b>OWDA loan:</b>						
Wastewater treatment plant	5.00%	44,711		(44,711)		
<b>Other long-term obligations:</b>						
Compensated absences		33,364	\$18,753	(19,451)	32,666	18,753
Total business-type activities long-term obligations		<u>\$592,524</u>	<u>\$18,753</u>	<u>(\$144,088)</u>	<u>\$467,189</u>	<u>\$59,323</u>

The City has entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a new water tower, the Wolf Creek sanitary trunk extension and wastewater treatment plant improvements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2010, the City has outstanding borrowings of \$106,821 in the water fund and \$7,500 and \$320,202 in the sewer fund which mature on January 1, 2014, July 1, 2012 and July 1, 2018, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The Wolfcreek sanitary trunk main and the wastewater treatment plant of the OPWC loans are interest free, the Water Tower has a rate of 5%.

The following is the summary of the City's future annual principal and interest requirements for the OPWC loans:

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

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

<u>Year Ending December 31,</u>	<b>OPWC Loans</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 40,570	\$2,671	\$ 43,241
2012	82,403	4,076	86,479
2013	79,160	2,319	81,479
2014	61,614	473	62,087
2015	42,693		42,693
2016 - 2018	128,083		128,083
Total	\$434,523	\$9,539	\$444,062

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$11,411,208 and the unvoted debt margin was \$5,942,642.

**14. RISK MANAGEMENT**

**A. Liability Insurance**

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. The City has contracted with Ohio Plan Risk Management, Inc., an Ohio government risk management program. The Plan was formed in June 1988 for the primary purpose of managing third-party liability claims against its members. The Plan provides property, liability, error and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its 730 members. The City's settled claims have not exceeded insurance coverage for the past four years. The Plan has chosen to adopt the forms and endorsements of conventional insurance coverages and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have excess reinsurance coverage above the retention amount. Therefore, the City is only responsible for its self-retention (deductible) amount. The Plan reinsures its coverage 100% with various reinsurances companies up to a limit of \$6,000,000 per occurrence, per member.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**14. RISK MANAGEMENT (Continued)**

**B. Employee Health Insurance**

During 2010, the City provided employees health and life insurance through United Health Care and dental insurance through Dental Select. The premiums for dental and life insurance are paid monthly with the City paying one hundred percent of the cost.

The premiums for health insurance are paid monthly with the City paying ninety percent of the cost.

**C. Workers' Compensation**

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

**15. PENSION PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS' provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**15. PENSION PLANS (Continued)**

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$93,749, \$83,996, and \$75,321, respectively; 100% has been contributed for 2010, 2009 and 2008.

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

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

**Funding Policy** - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$83,224 and \$12,332 for the year ended December 31, 2010, \$80,250 and \$11,914 for the year ended December 31, 2009, and \$84,878 and \$11,954, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 72.30% has been contributed for police and 73.08% has been contributed for firefighters for 2010.

**16. POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**16. POSTRETIREMENT BENEFIT PLANS (Continued)**

**Funding Policy** - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$53,445, \$60,498, and \$75,321, respectively; 100% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

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

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

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

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**16. POSTRETIREMENT BENEFIT PLANS (Continued)**

**Funding Policy** - The Ohio Revised Code provides for contribution 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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 administrated 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the 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 health care 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 to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$44,060 and \$4,825 for the year ended December 31, 2010, \$42,485 and \$4,662 for the year ended December 31, 2009, and \$44,936 and \$4,678, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 72.30% has been contributed for police and 73.08% has been contributed for firefighters for 2010.

**17. BUDGETARY BASIS OF ACCOUNTING**

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 statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general fund and street construction, maintenance and repair 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 and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);

**CITY OF BROOKVILLE  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**17. BUDGETARY BASIS OF ACCOUNTING**

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received, but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and the street construction maintenance and repair fund.

	<b>Net Change in Fund Balance</b>	
	<b>General</b>	<b>Street Construction Maintenance and Repair Fund</b>
Budget basis	(\$ 39,174)	(\$ 9,536)
Net adjustment for revenue accruals	147,805	(17,750)
Net adjustment for expenditure accruals	11,170	(6,026)
Net adjustment for other financing sources		17,227
Adjustment for encumbrances	3,415	3,841
GAAP basis	\$123,216	(\$12,244)

**18. CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

**B. Litigation**

The City is currently not involved in pending litigation at year end.

**19. SIGNIFICANT SUBSEQUENT EVENTS**

On April 19, 2011, the City issued a \$600,000 bond anticipation note to retire a portion of the \$750,000 bond anticipation note issued on April 20, 2010 (See Note 13). This note bears an interest rate of 1.625% and matures on April 19, 2012.

On August 16, 2011, the Council approved a bid from Brumbaugh Construction in the amount of \$471,571 for the construction of Nutrition Way roadway. On September 14, 2011, the City issued a \$600,000 bond anticipation note to pay costs of constructing Nutrition Way roadway. This note bears an interest rate of 1.65% and matures on April 19, 2012.



# Dave Yost • Auditor of State

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

City of Brookville  
Montgomery County  
301 Sycamore Street  
Brookville, Ohio 45309

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 12, 2011.

We intend this report solely for the information and use of management, the audit committee, City Council, and others within the City. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

October 12, 2011



# Dave Yost • Auditor of State

**CITY OF BROOKVILLE**

**MONTGOMERY 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 10, 2011**