

CITY OF BROOKVILLE
MONTGOMERY COUNTY
REGULAR AUDIT
JANUARY 1, 2014 – DECEMBER 31, 2014





Dave Yost • Auditor of State

City Council
City of Brookville
301 Sycamore Street
Brookville, Ohio 45309

We have reviewed the *Independent Auditor's Report* of the City of Brookville, Montgomery County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 25, 2015

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance, and Repair Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 5, 2015

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

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, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The total net position of the City increased \$114,042 from the 2013 net position. Net position of governmental activities increased \$336,906 or 3.22% over the 2013 balance of \$10,467,729 and net position of business-type activities decreased \$222,864 or 7.34% under 2013.
- General revenues accounted for \$3,514,201 or 68.93% of total governmental activities revenue. Program specific revenues accounted for \$1,584,048 or 31.07% of total governmental activities revenue.
- The City had \$4,761,343 in expenses related to governmental activities; \$1,584,048 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$3,177,295 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,514,201.
- The general fund had revenues and other financing sources of \$4,416,969 in 2014. This represents an increase of \$154,072 from 2013's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$4,180,859 in 2014, increased \$41,415 from 2013's expenditures and other financing uses. The net increase in fund balance for the general fund was \$236,110 or 13.57%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$653,404 in 2014. The expenditures of the street construction maintenance and repair fund, totaled \$658,885 in 2014. The net decrease in fund balance for the street construction maintenance and repair fund was \$5,481.
- The capital improvement fund had revenues and other financing sources of \$638,839 in 2014. The expenditures of the capital improvement fund, totaled \$456,109 in 2014. The net increase in fund balance for the capital improvement fund was \$182,730.
- The fire capital improvement fund had revenues and other financing sources of \$170,595 in 2014. The expenditures of the fire capital improvement fund, totaled \$204,109 in 2014. The net decrease in fund balance for the fire capital improvement fund was \$33,514.
- Net position for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, decreased in 2014 by \$222,864. This decrease in net position was due primarily to operating expenses exceeding operating revenues.
- In the general fund, the actual revenues and other financing sources came in \$111,868 higher than they were in the final budget and actual expenditures and other financing uses were \$299,858 less than the amount in the final budget.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental activities - Most of the City's programs and services are reported here including police, fire 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 position 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.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

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

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 nonmajor funds. The City's major governmental funds are the general fund, the street construction maintenance and repair fund, the capital improvement 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 20-27 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 28-30 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 31- 61 of this report.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2014 compared to 2013.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>						
Current and other assets	\$ 3,967,733	\$ 3,886,320	\$ 1,276,070	\$ 1,041,657	\$ 5,243,803	\$ 4,927,977
Capital assets, net	<u>8,060,175</u>	<u>8,237,902</u>	<u>2,841,964</u>	<u>2,560,979</u>	<u>10,902,139</u>	<u>10,798,881</u>
Total assets	<u>12,027,908</u>	<u>12,124,222</u>	<u>4,118,034</u>	<u>3,602,636</u>	<u>16,145,942</u>	<u>15,726,858</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	984,403	1,109,803	911,780	342,567	1,896,183	1,452,370
Other liabilities	<u>131,393</u>	<u>424,575</u>	<u>393,719</u>	<u>224,670</u>	<u>525,112</u>	<u>649,245</u>
Total liabilities	<u>1,115,796</u>	<u>1,534,378</u>	<u>1,305,499</u>	<u>567,237</u>	<u>2,421,295</u>	<u>2,101,615</u>
<u>Deferred Inflows of Resources</u>						
Property taxes levied for the next year	<u>107,477</u>	<u>122,115</u>	-	-	<u>107,477</u>	<u>122,115</u>
Total deferred inflows of resources	<u>107,477</u>	<u>122,115</u>	-	-	<u>107,477</u>	<u>122,115</u>
<u>Net Position</u>						
Net investment in capital assets	7,205,557	7,060,712	1,962,922	2,251,733	9,168,479	9,312,445
Restricted	881,323	703,603	-	-	881,323	703,603
Unrestricted	<u>2,717,755</u>	<u>2,703,414</u>	<u>849,613</u>	<u>783,666</u>	<u>3,567,368</u>	<u>3,487,080</u>
Total net position	<u>\$ 10,804,635</u>	<u>\$ 10,467,729</u>	<u>\$ 2,812,535</u>	<u>\$ 3,035,399</u>	<u>\$ 13,617,170</u>	<u>\$ 13,503,128</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows by \$13,617,170. At year-end, net position was \$10,804,635 and \$2,812,535 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 67.01% and 69.01% of total assets for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles, infrastructure and construction in progress. The City's net investment in capital assets at December 31, 2014, were \$7,205,557 and \$1,962,922 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$881,323 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$2,717,755 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The following table shows the comparative analysis of changes in net position for 2014 compared to 2013.

	Change in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,138,261	\$ 1,017,495	\$ 1,896,304	\$ 1,908,294	\$ 3,034,565	\$ 2,925,789
Operating grants and contributions	318,326	317,738	-	-	318,326	317,738
Capital grants and contributions	<u>127,461</u>	<u>293,385</u>	<u>-</u>	<u>-</u>	<u>127,461</u>	<u>293,385</u>
Total program revenues	<u>1,584,048</u>	<u>1,628,618</u>	<u>1,896,304</u>	<u>1,908,294</u>	<u>3,480,352</u>	<u>3,536,912</u>
General revenues:						
Property taxes	159,580	118,800	-	-	159,580	118,800
Income taxes	3,188,058	3,097,602	-	-	3,188,058	3,097,602
Unrestricted grants and entitlements	116,403	183,752	-	-	116,403	183,752
Investment earnings	15,823	8,377	-	-	15,823	8,377
Miscellaneous	<u>34,337</u>	<u>33,945</u>	<u>11,195</u>	<u>5,501</u>	<u>45,532</u>	<u>39,446</u>
Total general revenues	<u>3,514,201</u>	<u>3,442,476</u>	<u>11,195</u>	<u>5,501</u>	<u>3,525,396</u>	<u>3,447,977</u>
Total revenues	<u>5,098,249</u>	<u>5,071,094</u>	<u>1,907,499</u>	<u>1,913,795</u>	<u>7,005,748</u>	<u>6,984,889</u>
Expenses:						
General government	1,086,986	1,246,933	-	-	1,086,986	1,246,933
Security of persons and property	2,356,921	2,360,101	-	-	2,356,921	2,360,101
Transportation	1,063,801	1,068,968	-	-	1,063,801	1,068,968
Leisure time activity	222,683	246,009	-	-	222,683	246,009
Interest, fiscal & issuance costs	30,952	37,536	-	-	30,952	37,536
Water	-	-	985,276	1,043,993	985,276	1,043,993
Sewer	-	-	753,322	710,993	753,322	710,993
Refuse	<u>-</u>	<u>-</u>	<u>391,765</u>	<u>348,170</u>	<u>391,765</u>	<u>348,170</u>
Total expenses	<u>4,761,343</u>	<u>4,959,547</u>	<u>2,130,363</u>	<u>2,103,156</u>	<u>6,891,706</u>	<u>7,062,703</u>
Change in net position	336,906	111,547	(222,864)	(189,361)	114,042	(77,814)
Net position at beginning of year	<u>10,467,729</u>	<u>10,356,182</u>	<u>3,035,399</u>	<u>3,224,760</u>	<u>13,503,128</u>	<u>13,580,942</u>
Net position at end of year	<u>\$ 10,804,635</u>	<u>\$ 10,467,729</u>	<u>\$ 2,812,535</u>	<u>\$ 3,035,399</u>	<u>\$ 13,617,170</u>	<u>\$ 13,503,128</u>

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$336,906 in 2014 compared to a \$111,547 increase in net position in 2013. This is a result of increasing revenues still being more than decreasing expenses.

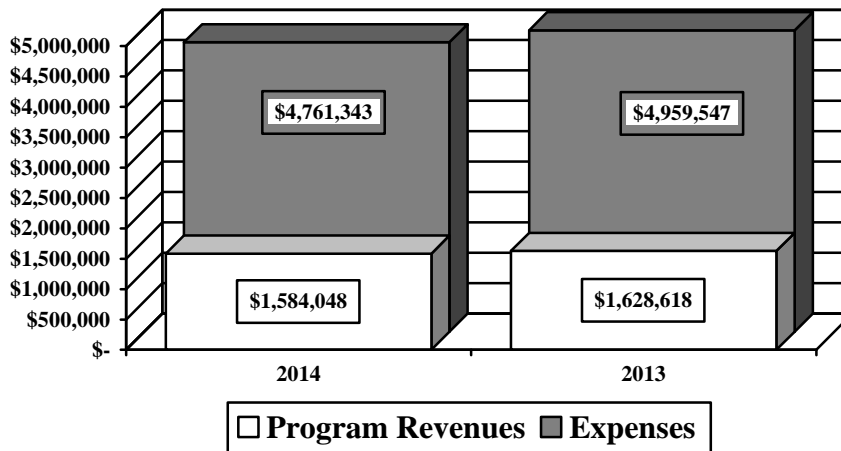
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,356,921 or 49.50% of the total expenses of the City. Security of persons and property expenses were partially funded by \$723,550 in direct charges to users of the services. General government expenses totaled \$1,086,986. General government expenses were partially funded by \$155,336 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$318,326 in operating grants and contributions and \$127,461 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$3,514,201 and amounted to 68.93% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,347,638. 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 \$116,403.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 compared to 2013. 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



CITY OF BROOKVILLE, OHIO

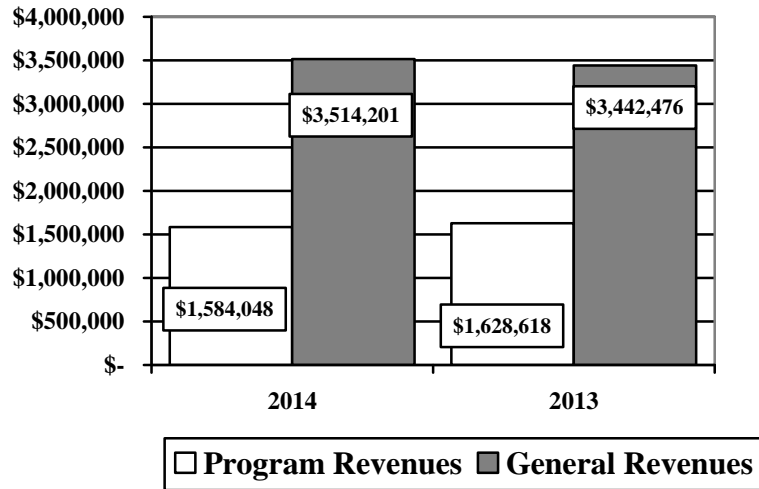
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,086,986	\$ 931,650	\$ 1,246,933	\$ 1,163,634
Security of persons and property	2,356,921	1,629,177	2,360,101	1,670,008
Transportation	1,063,801	387,157	1,068,968	243,135
Leisure time activity	222,683	198,359	246,009	216,616
Interest and fiscal charges	30,952	30,952	36,744	36,744
Note issuance costs	-	-	792	792
Total	\$ 4,761,343	\$ 3,177,295	\$ 4,959,547	\$ 3,330,929

The dependence upon general revenues for governmental activities is apparent, with 66.73% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2014.

Governmental Activities – General and Program Revenues



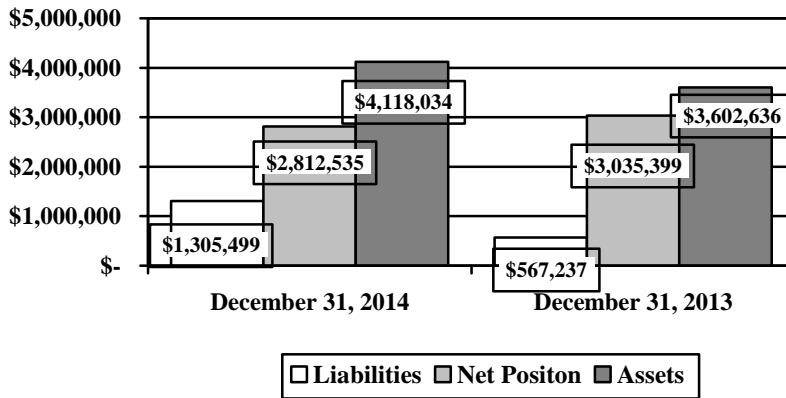
CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$1,896,304, general revenues of \$11,195 and expenses of \$2,130,363 for 2014. The graph below shows the business-type activities assets, liabilities and net position at year-end.

Net Position in Business - Type Activities



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.

The City's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$3,283,735 which is \$378,876 above last year's total of \$2,904,859. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and non-major governmental funds.

	Fund Balances 12/31/2014	Fund Balances 12/31/2013	Increase (Decrease)
Major funds:			
General	\$ 1,975,669	\$ 1,739,559	\$ 236,110
Street construction maintenance and repair	197,438	202,919	(5,481)
Capital improvement	595,257	412,527	182,730
Fire capital improvement	502,634	536,148	(33,514)
Other nonmajor governmental funds	12,737	13,706	(969)
Total	<u>\$ 3,283,735</u>	<u>\$ 2,904,859</u>	<u>\$ 378,876</u>

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

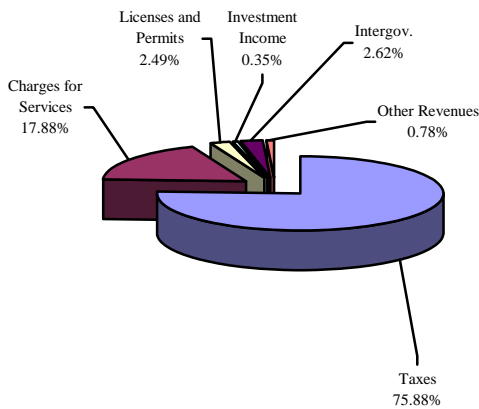
General Fund

The City's general fund balance increased \$236,110. The table that follows assists in illustrating the revenues of the general fund.

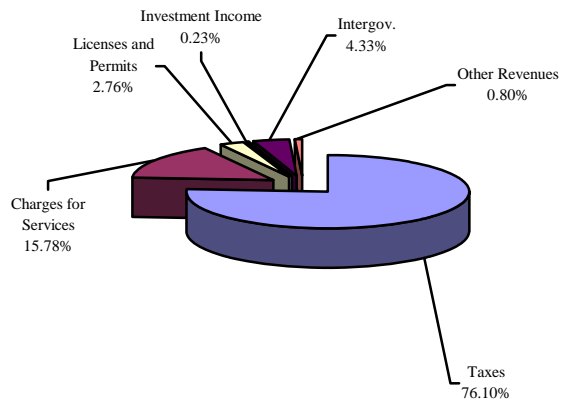
	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,350,777	\$ 3,238,911	3.45 %
Charges for services	789,686	671,909	17.53 %
Licenses, permits and fees	109,760	117,341	(6.46) %
Investment income	15,548	9,818	58.36 %
Intergovernmental	115,730	184,395	(37.24) %
Other	<u>34,337</u>	<u>33,945</u>	1.15 %
Total	<u>\$ 4,415,838</u>	<u>\$ 4,256,319</u>	3.75 %

The City's largest revenue source in the general fund was tax revenue, which represents 75.88% of all general fund revenue. Tax revenues increased 3.45% due to an increase in income tax revenues. Revenues related to licenses, permits and fees decreased 6.46% due to the time in which franchise fees receivable were received. Investment income increased 58.36% due to variations in interest rates and amounts being invested. The 37.24% decrease in intergovernmental income is due a decrease in state shared tax revenues.

Revenues - 2014



Revenues - 2013



CITY OF BROOKVILLE, OHIO

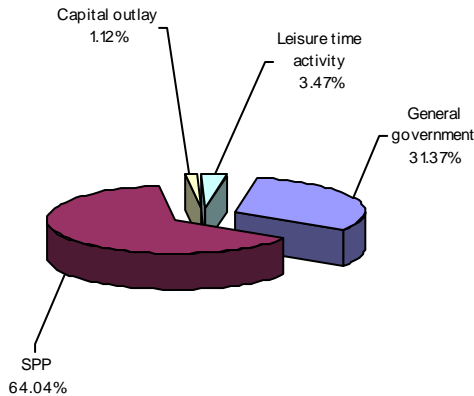
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

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

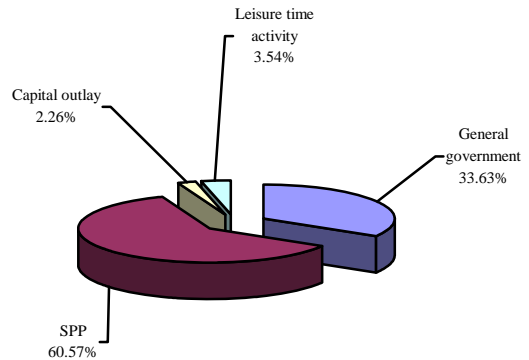
	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 1,058,350	\$ 1,146,322	(7.67) %
Security of persons and property	2,160,184	2,064,130	4.65 %
Leisure time activity	116,918	120,648	(3.09) %
Capital outlay	<u>37,915</u>	<u>77,088</u>	(50.82) %
 Total	 <u>\$ 3,373,367</u>	 <u>\$ 3,408,188</u>	 (1.02) %

Expenditures decreased by 1.02% during 2014. Capital outlay decreased during 2014 compared to 2013, because during the year the City made fewer general fund capital asset purchases compared to the prior year.

Expenditures - 2014



Expenditures - 2013



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 \$111,868 higher than they were in the final budget and actual expenditures and other financing uses were \$299,858 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$78,594 from an original budget of \$4,126,507 to a final budget of \$4,205,101. Budgeted expenditures and other financing uses increased \$118,308 from an original budget of \$4,355,105 to a final budget of \$4,473,413.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues and other financing sources of \$653,404 in 2014. The expenditures of the street construction maintenance and repair fund, totaled \$658,885 in 2014. The net decrease in fund balance for the street construction maintenance and repair fund was \$5,481.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$638,839 in 2014. The expenditures of the capital improvement fund, totaled \$456,109 in 2014. The net increase in fund balance for the capital improvement fund was \$182,730.

Fire Capital Improvement Fund

The fire capital improvement fund had revenues and other financing sources of \$170,595 in 2014. The expenditures of the fire capital improvement fund, totaled \$204,109 in 2014. The net decrease in fund balance for the fire capital improvement fund was \$33,514.

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 2014, the City had \$10,902,139 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, software, vehicles, infrastructure and construction in progress. Of this total, \$8,060,175 was reported in governmental activities and \$2,841,964 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2014 balances compared to 2013.

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

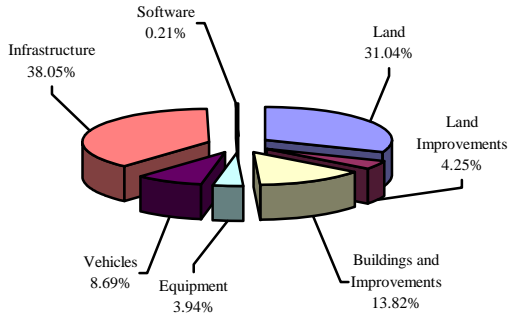
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,502,218	\$ 2,502,218	\$ 32,388	\$ 32,388	\$ 2,534,606	\$ 2,534,606
Land improvements	342,177	397,102	1,143,781	1,498,883	1,485,958	1,895,985
Buildings and improvements	1,113,748	956,753	141,473	147,467	1,255,221	1,104,220
Equipment	317,405	381,051	269,901	298,789	587,306	679,840
Software	16,857	22,629	-	-	16,857	22,629
Vehicles	700,699	662,444	185,471	32,612	886,170	695,056
Infrastructure	3,067,071	3,304,842	458,748	497,391	3,525,819	3,802,233
Construction in progress	-	10,863	610,202	53,449	610,202	64,312
Totals	<u>\$ 8,060,175</u>	<u>\$ 8,237,902</u>	<u>\$ 2,841,964</u>	<u>\$ 2,560,979</u>	<u>\$ 10,902,139</u>	<u>\$ 10,798,881</u>

CITY OF BROOKVILLE, OHIO

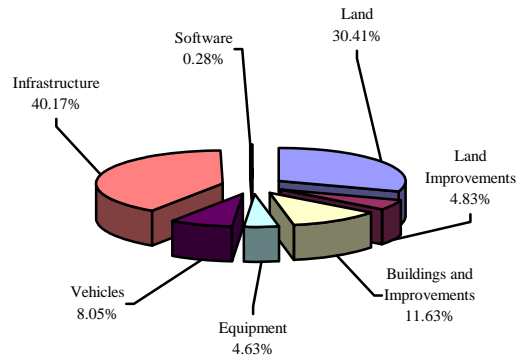
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013.

Capital Assets - Governmental Activities 2014



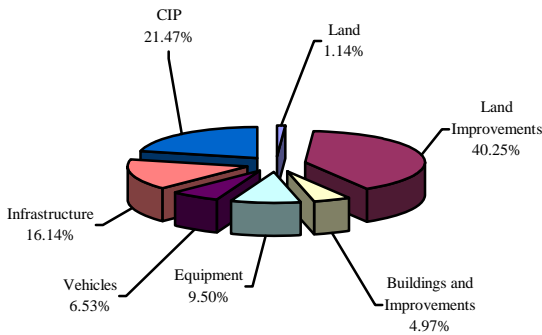
Capital Assets - Governmental Activities 2013



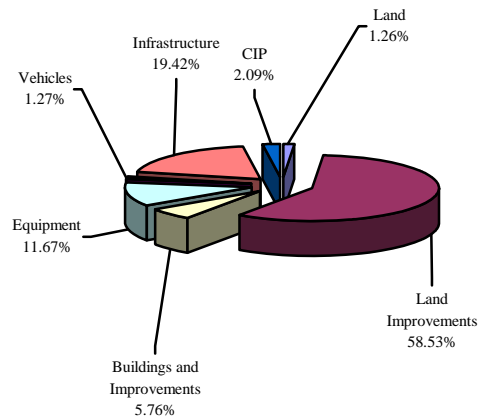
Infrastructure is the largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 38.05% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2014 and 2013.

Capital Assets - Business - Type Activities 2014



Capital Assets - Business - Type Activities 2013



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 40.25% of the City's total business-type capital assets.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2014 and 2013:

	Governmental Activities	
	2014	2013
Note payable	\$ 778,000	\$ 832,000
OPWC loan	8,612	10,335
Equipment lease obligation	68,006	134,855
Total long-term obligations	\$ 854,618	\$ 977,190
	Business-type Activities	
	2014	2013
OPWC loans	\$ 706,641	\$ 245,572
Loan payable	23,773	63,674
Capital lease obligation	148,628	-
Total long-term obligations	\$ 879,042	\$ 309,246

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

Economic Conditions and Outlook

The City of Brookville, a Charter government, operates under the Mayor-Council-Manager form of government. The City is located at the northwest corner of Montgomery County and is 12 miles west of the I-70/75 interchange.

The City is an attractive planned community located along the I-70 corridor. The City is accessible to some of the largest markets in the United States and Canada. Our community is located within the largest 90-minute air market in America and the eighth largest 90-minute road market. The City is located just west of the core of a national network of 25 interstate highways and major state routes referred to as the "Crossroads of America".

The City is now home to approximately 5,900 residents. The City considers itself a suburban city, with the space of country and amenities of a city, as well as a few special features you'd expect in a much larger community. Our housing character clearly reflects our hometown charm. Recreational opportunities are endless in the Brookville region. Our five city parks comprised of 120 acres of green space and neighboring Sycamore State Park make the City one of the most popular "walkable communities." The City offers a tremendous opportunity for everyone who lives, visits, works and shops in the community.

The City offers commercial, industrial and retail opportunities that developers compete for and quality neighborhoods that homeowners wish for, making us one of the best kept secrets in Montgomery County. Brookville takes pride in its low crime rates, excellent fire and EMS response times, exceptional paved streets and exquisitely maintained green space and parks systems.

CITY OF BROOKVILLE, OHIO

MANAGEMENTS DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

A 1.75% local income tax and successful efforts to secure state and local grants has enabled the City to provide excellent public service to its constituents and to maintain municipal infrastructure, while continually improving the overall appearance of the community. In 2014, income tax receipts exceeded \$3 million for the second consecutive year.

The City's tax base includes a good mix of industrial, commercial, medical, service, retail, government and education segments. Expansion and creation best describes economic development within our City in 2014.

Businesses that expanded or renovated in 2014 include Speedway North who purchased 1.4 acres and added four new diesel service islands to their existing facility. Speedway South demolished their existing building and removed their diesel islands to make room for a new and improved convenience store. Advance Auto Parts constructed a new building on the former Dairy Queen property.

The City has two industrial parks, Mosier Industrial Park located in the northeast corner of the City is home to 18 businesses and NorthBrook Industrial Park located along Interstate 70 in the northwest corner of the City is home to 3 businesses. The NorthBrook Industrial Park has shovel ready sites available for new construction and expansion. The City sold a 1.6 acre lot in the NorthBrook Industrial Park in 2014.

The City continues to see employment growth 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. 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.

Brookville City Council adopted an Ordinance in December 2014 to amend the provisions of the municipal income tax Ordinance to provide for a permanent increase in the income tax rate in the amount of one-fourth of one percent (0.25%) effective January 1, 2016. This issue passed at the May 5, 2015 Primary.

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 M. Keaton, Assistant City Manager/Director of Finance, 301 Sycamore Street, Brookville, Ohio 45309.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 2,516,441	\$ 520,977	\$ 3,037,418
Receivables:			
Income taxes	548,617	-	548,617
Real and other taxes	109,529	-	109,529
Accounts	94,344	594,469	688,813
Accrued interest	3,283	-	3,283
Special assessments	19,256	-	19,256
Due from other governments	201,839	120,427	322,266
Prepayments	50,136	14,866	65,002
Materials and supplies inventory	27,928	25,331	53,259
Land held for resale	396,360	-	396,360
Capital assets:			
Land and construction in progress	2,502,218	642,590	3,144,808
Depreciable capital assets, net	5,557,957	2,199,374	7,757,331
Total capital assets, net	<u>8,060,175</u>	<u>2,841,964</u>	<u>10,902,139</u>
Total assets	<u>12,027,908</u>	<u>4,118,034</u>	<u>16,145,942</u>
Liabilities:			
Accounts payable	44,341	216,264	260,605
Contracts payable	11,532	162,002	173,534
Accrued wages and benefits payable	34,179	7,879	42,058
Due to other governments	30,111	5,412	35,523
Pension obligation payable	11,230	2,162	13,392
Long-term liabilities:			
Due within one year	173,173	118,490	291,663
Due in more than one year	811,230	793,290	1,604,520
Total liabilities	<u>1,115,796</u>	<u>1,305,499</u>	<u>2,421,295</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	107,477	-	107,477
Total deferred inflows of resources	<u>107,477</u>	<u>-</u>	<u>107,477</u>
Total liabilities and deferred inflows of resources	<u>1,223,273</u>	<u>1,305,499</u>	<u>2,528,772</u>
Net position:			
Net investment in capital assets	7,205,557	1,962,922	9,168,479
Restricted for:			
Capital projects	614,513	-	614,513
Transportation	263,142	-	263,142
Other purposes	3,668	-	3,668
Unrestricted	<u>2,717,755</u>	<u>849,613</u>	<u>3,567,368</u>
Total net position	<u>\$ 10,804,635</u>	<u>\$ 2,812,535</u>	<u>\$ 13,617,170</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 1,086,986	\$ 155,336	\$ -	\$ -
Security of persons and property . . .	2,356,921	723,550	4,194	-
Transportation.	1,063,801	235,051	314,132	127,461
Leisure time activity.	222,683	24,324	-	-
Interest and fiscal charges.	30,952	-	-	-
Total governmental activities	<u>4,761,343</u>	<u>1,138,261</u>	<u>318,326</u>	<u>127,461</u>
Business-type activities:				
Water	985,276	976,756	-	-
Sewer	753,322	526,521	-	-
Refuse	391,765	393,027	-	-
Total business-type activities	<u>2,130,363</u>	<u>1,896,304</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,891,706</u>	<u>\$ 3,034,565</u>	<u>\$ 318,326</u>	<u>\$ 127,461</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

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (931,650)	\$ -	\$ (931,650)
(1,629,177)	-	(1,629,177)
(387,157)	-	(387,157)
(198,359)	-	(198,359)
(30,952)	-	(30,952)
<u>(3,177,295)</u>	<u>-</u>	<u>(3,177,295)</u>
-	(8,520)	(8,520)
-	(226,801)	(226,801)
-	1,262	1,262
-	<u>(234,059)</u>	<u>(234,059)</u>
<u>(3,177,295)</u>	<u>(234,059)</u>	<u>(3,411,354)</u>
159,580	-	159,580
3,188,058	-	3,188,058
116,403	-	116,403
15,823	-	15,823
34,337	11,195	45,532
<u>3,514,201</u>	<u>11,195</u>	<u>3,525,396</u>
336,906	(222,864)	114,042
<u>10,467,729</u>	<u>3,035,399</u>	<u>13,503,128</u>
<u>\$ 10,804,635</u>	<u>\$ 2,812,535</u>	<u>\$ 13,617,170</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Street Construction Maintenance & Repair</u>	<u>Capital Improvement</u>	<u>Fire Capital Improvement</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,637,214	\$ 161,463	\$ 210,429	\$ 494,598
Receivables:				
Income taxes	548,617	-	-	-
Real and other taxes	109,529	-	-	-
Accounts	86,127	181	-	8,036
Accrued interest	3,273	10	-	-
Special assessments	-	-	19,256	-
Due from other governments	49,055	152,784	-	-
Prepayments	40,588	9,548	-	-
Materials and supplies inventory	12,176	15,752	-	-
Land held for resale	-	-	396,360	-
Total assets	<u>\$ 2,486,579</u>	<u>\$ 339,738</u>	<u>\$ 626,045</u>	<u>\$ 502,634</u>
Liabilities:				
Accounts payable	\$ 40,725	\$ 3,616	\$ -	\$ -
Contracts payable	-	-	11,532	-
Accrued wages and benefits payable	29,431	4,748	-	-
Due to other governments	25,933	4,178	-	-
Pension obligation payable	9,766	1,464	-	-
Total liabilities	<u>105,855</u>	<u>14,006</u>	<u>11,532</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . . .	107,477	-	-	-
Delinquent property tax revenue not available . . .	2,052	-	-	-
Accrued interest not available	2,568	-	-	-
Special assessments revenue not available	-	-	19,256	-
Miscellaneous revenue not available	10,561	11	-	-
Income tax revenue not available	242,593	-	-	-
Other nonexchange transactions not available . . .	39,804	128,283	-	-
Total deferred inflows of resources	<u>405,055</u>	<u>128,294</u>	<u>19,256</u>	<u>-</u>
Total liabilities and deferred inflows of resources.	<u>510,910</u>	<u>142,300</u>	<u>30,788</u>	<u>-</u>
Fund balances:				
Nonspendable	52,764	25,300	-	-
Restricted	-	172,138	595,257	-
Committed	-	-	-	502,634
Assigned	354,185	-	-	-
Unassigned	1,568,720	-	-	-
Total fund balances	<u>1,975,669</u>	<u>197,438</u>	<u>595,257</u>	<u>502,634</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,486,579</u>	<u>\$ 339,738</u>	<u>\$ 626,045</u>	<u>\$ 502,634</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 12,737	\$ 2,516,441
-	548,617
-	109,529
-	94,344
-	3,283
-	19,256
-	201,839
-	50,136
-	27,928
-	396,360
<u>\$ 12,737</u>	<u>\$ 3,967,733</u>
\$ -	\$ 44,341
-	11,532
-	34,179
-	30,111
-	11,230
<u>-</u>	<u>131,393</u>
-	107,477
-	2,052
-	2,568
-	19,256
-	10,572
-	242,593
-	168,087
<u>-</u>	<u>552,605</u>
-	683,998
-	78,064
3,668	771,063
9,069	511,703
-	354,185
-	1,568,720
<u>12,737</u>	<u>3,283,735</u>
<u>\$ 12,737</u>	<u>\$ 3,967,733</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	3,283,735
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,060,175
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 242,593	
Real and other taxes receivable	2,052	
Accounts receivable	10,572	
Intergovernmental receivable	168,087	
Special assessments receivable	19,256	
Investment income receivable	2,568	
Total	445,128	445,128
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(129,785)	
Capital lease payable	(68,006)	
Note payable	(778,000)	
Loan payable	(8,612)	
Total	(984,403)	(984,403)
Net position of governmental activities	\$	10,804,635

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, 2014

	General	Street Construction Maintenance & Repair	Capital Improvement	Fire Capital Improvement
Revenues:				
Municipal income taxes	\$ 3,190,649	\$ -	\$ -	\$ -
Real and other taxes.	160,128	-	-	-
Charges for services.	789,686	68,502	-	166,538
Licenses, permits and fees.	109,760	-	-	-
Intergovernmental.	115,730	310,306	118,239	-
Special assessments	-	-	3,148	-
Investment income.	15,548	104	521	-
Rental income	31,834	-	-	-
Donations	2,503	-	-	502
Other	-	-	-	-
Total revenues	<u>4,415,838</u>	<u>378,912</u>	<u>121,908</u>	<u>167,040</u>
Expenditures:				
Current:				
General government	1,058,350	-	-	-
Security of persons and property	2,160,184	-	-	-
Transportation	-	637,678	-	-
Leisure time activity	116,918	-	-	-
Capital outlay	37,915	-	453,609	154,853
Debt service:				
Principal retirement.	-	20,671	-	47,901
Interest and fiscal charges	-	536	2,500	1,355
Total expenditures	<u>3,373,367</u>	<u>658,885</u>	<u>456,109</u>	<u>204,109</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,042,471</u>	<u>(279,973)</u>	<u>(334,201)</u>	<u>(37,069)</u>
Other financing sources (uses):				
Sale of capital assets.	1,131	24,492	39,431	3,555
Transfers in	-	250,000	477,500	-
Transfers (out).	<u>(807,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(806,361)</u>	<u>274,492</u>	<u>516,931</u>	<u>3,555</u>
Net change in fund balances	236,110	(5,481)	182,730	(33,514)
Fund balances at beginning of year	<u>1,739,559</u>	<u>202,919</u>	<u>412,527</u>	<u>536,148</u>
Fund balances at end of year	<u>\$ 1,975,669</u>	<u>\$ 197,438</u>	<u>\$ 595,257</u>	<u>\$ 502,634</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,190,649
-	160,128
-	1,024,726
-	109,760
-	544,275
-	3,148
-	16,173
-	31,834
-	3,005
4,194	4,194
4,194	5,087,892
-	1,058,350
4,594	2,164,778
-	637,678
-	116,918
-	646,377
54,000	122,572
26,561	30,952
85,155	4,777,625
(80,961)	310,267
-	68,609
282,492	1,009,992
(202,500)	(1,009,992)
79,992	68,609
(969)	378,876
13,706	2,904,859
\$ 12,737	\$ 3,283,735

**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, 2014

Net change in fund balances - total governmental funds	\$	378,876
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 427,947	
Current year depreciation	<u>(598,782)</u>	
Total		(170,835)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(6,892)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(2,591)	
Real and other taxes	(7,345)	
Charges for services	14	
Licenses, permits and fees	10,557	
Accrued interest	1	
Intergovernmental revenues	4,395	
Special assessments	5,051	
Investment income	<u>275</u>	
Total		10,357
 Repayment of note, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		122,572
 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.		
		<u>2,828</u>
Change in net position of governmental activities	\$	<u><u>336,906</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)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 2,994,975	\$ 3,052,019	\$ 3,133,212	\$ 81,193
Real and other taxes	153,315	156,235	160,391	4,156
Charges for services	719,150	732,847	752,343	19,496
Licenses, permits and fees	84,384	85,991	88,279	2,288
Intergovernmental	129,269	131,731	135,235	3,504
Investment income	14,351	14,624	15,013	389
Rental income	30,430	31,009	31,834	825
Donations	5	5	5	-
Total revenues	<u>4,125,879</u>	<u>4,204,461</u>	<u>4,316,312</u>	<u>111,851</u>
Expenditures:				
Current:				
General government	1,136,549	1,197,549	1,084,524	113,025
Security of persons and property	2,227,372	2,242,972	2,178,624	64,348
Capital outlay	80,400	80,400	37,915	42,485
Total expenditures	<u>3,444,321</u>	<u>3,520,921</u>	<u>3,301,063</u>	<u>219,858</u>
Excess of revenues over expenditures	<u>681,558</u>	<u>683,540</u>	<u>1,015,249</u>	<u>331,709</u>
Other financing sources (uses):				
Sale of capital assets	628	640	657	17
Transfers (out)	<u>(910,784)</u>	<u>(952,492)</u>	<u>(872,492)</u>	<u>80,000</u>
Total other financing sources (uses)	<u>(910,156)</u>	<u>(951,852)</u>	<u>(871,835)</u>	<u>80,017</u>
Net change in fund balances	(228,598)	(268,312)	143,414	411,726
Fund balance at beginning of year	1,418,865	1,418,865	1,418,865	-
Prior year encumbrances appropriated	2,821	2,821	2,821	-
Fund balance at end of year	<u>\$ 1,193,088</u>	<u>\$ 1,153,374</u>	<u>\$ 1,565,100</u>	<u>\$ 411,726</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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services.	\$ 66,900	\$ 68,831	\$ 68,332	\$ (499)
Intergovernmental.	305,261	314,071	311,796	(2,275)
Investment income.	100	103	102	(1)
Total revenues	<u>372,261</u>	<u>383,005</u>	<u>380,230</u>	<u>(2,775)</u>
Expenditures:				
Current:				
Transportation	764,405	770,005	662,121	107,884
Debt service:				
Principal retirement.	1,800	1,800	1,723	77
Total expenditures	<u>766,205</u>	<u>771,805</u>	<u>663,844</u>	<u>107,961</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(393,944)</u>	<u>(388,800)</u>	<u>(283,614)</u>	<u>105,186</u>
Other financing sources:				
Sale of capital assets.	23,979	24,671	24,492	(179)
Transfers in	244,760	251,824	250,000	(1,824)
Total other financing sources	<u>268,739</u>	<u>276,495</u>	<u>274,492</u>	<u>(2,003)</u>
Net change in fund balances	(125,205)	(112,305)	(9,122)	103,183
Fund balance at beginning of year	167,037	167,037	167,037	-
Prior year encumbrances appropriated	2,205	2,205	2,205	-
Fund balance at end of year	<u>\$ 44,037</u>	<u>\$ 56,937</u>	<u>\$ 160,120</u>	<u>\$ 103,183</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 151,736	\$ 218,998	\$ 150,243	\$ 520,977
Receivables:				
Accounts	303,001	165,643	125,825	594,469
Due from other governments.	-	120,427	-	120,427
Prepayments	3,841	6,671	4,354	14,866
Materials and supplies inventory.	13,546	1,488	10,297	25,331
Total current assets	<u>472,124</u>	<u>513,227</u>	<u>290,719</u>	<u>1,276,070</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress.	-	642,590	-	642,590
Depreciable capital assets, net.	234,737	1,815,657	148,980	2,199,374
Total capital assets, net.	<u>234,737</u>	<u>2,458,247</u>	<u>148,980</u>	<u>2,841,964</u>
Total assets	<u>706,861</u>	<u>2,971,474</u>	<u>439,699</u>	<u>4,118,034</u>
Liabilities:				
Current liabilities:				
Accounts payable.	185,434	17,642	13,188	216,264
Contracts payable.	-	162,002	-	162,002
Accrued wages and benefits payable	2,326	2,664	2,889	7,879
Compensated absences payable - current.	6,526	7,484	8,124	22,134
Due to other governments	1,593	1,830	1,989	5,412
Pension obligation payable	637	731	794	2,162
OPWC loans payable	-	42,693	-	42,693
Other loans payable	-	23,773	-	23,773
Capital lease obligations payable	-	-	29,890	29,890
Total current liabilities	<u>196,516</u>	<u>258,819</u>	<u>56,874</u>	<u>512,209</u>
Long-term liabilities:				
Compensated absences payable	3,178	3,579	3,847	10,604
OPWC loans payable	-	663,948	-	663,948
Capital lease obligations payable	-	-	118,738	118,738
Total long-term liabilities	<u>3,178</u>	<u>667,527</u>	<u>122,585</u>	<u>793,290</u>
Total liabilities	<u>199,694</u>	<u>926,346</u>	<u>179,459</u>	<u>1,305,499</u>
Net position:				
Net investment in capital assets.	234,737	1,727,833	352	1,962,922
Unrestricted	272,430	317,295	259,888	849,613
Total net position.	<u>\$ 507,167</u>	<u>\$ 2,045,128</u>	<u>\$ 260,240</u>	<u>\$ 2,812,535</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 964,756	\$ 517,271	\$ 393,027	\$ 1,875,054
Tap-in fees.	12,000	9,250	-	21,250
Other operating revenues	5,598	5,597	-	11,195
Total operating revenues.	<u>982,354</u>	<u>532,118</u>	<u>393,027</u>	<u>1,907,499</u>
Operating expenses:				
Personal services	143,783	165,451	179,899	489,133
Contract services.	777,937	180,710	165,705	1,124,352
Materials and supplies.	5,709	20,186	34,826	60,721
Depreciation.	57,847	385,675	10,287	453,809
Total operating expenses.	<u>985,276</u>	<u>752,022</u>	<u>390,717</u>	<u>2,128,015</u>
Operating income (loss)	<u>(2,922)</u>	<u>(219,904)</u>	<u>2,310</u>	<u>(220,516)</u>
Nonoperating expenses:				
Interest and fiscal charges	-	(1,300)	(1,048)	(2,348)
Total nonoperating expenses.	<u>-</u>	<u>(1,300)</u>	<u>(1,048)</u>	<u>(2,348)</u>
Change in net position	(2,922)	(221,204)	1,262	(222,864)
Net position at beginning of year	<u>510,089</u>	<u>2,266,332</u>	<u>258,978</u>	<u>3,035,399</u>
Net position at end of year	<u>\$ 507,167</u>	<u>\$ 2,045,128</u>	<u>\$ 260,240</u>	<u>\$ 2,812,535</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, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 968,269	\$ 512,451	\$ 394,764	\$ 1,875,484
Cash received from tap-in fees	12,000	9,250	-	21,250
Cash received from other operations	5,598	5,597	-	11,195
Cash payments for personal services	(143,798)	(165,439)	(179,865)	(489,102)
Cash payments for contract services	(775,030)	(174,114)	(164,603)	(1,113,747)
Cash payments for materials and supplies	(7,582)	(20,088)	(21,487)	(49,157)
	<u>59,457</u>	<u>167,657</u>	<u>28,809</u>	<u>255,923</u>
Net cash provided by operating activities				
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(7,196)	(529,544)	(156,479)	(693,219)
Principal retirement on capital lease	-	-	(7,256)	(7,256)
Principal retirement on loans	-	(82,594)	-	(82,594)
Interest and fiscal charges	-	(1,300)	(1,048)	(2,348)
Proceeds of capital lease	-	-	155,884	155,884
Proceeds of loans	-	503,762	-	503,762
	<u>(7,196)</u>	<u>(109,676)</u>	<u>(8,899)</u>	<u>(125,771)</u>
Net cash used in capital and related financing activities				
Net increase in cash and cash equivalents	52,261	57,981	19,910	130,152
Cash and cash equivalents at beginning of year . . .	99,475	161,017	130,333	390,825
Cash and cash equivalents at end of year	<u>\$ 151,736</u>	<u>\$ 218,998</u>	<u>\$ 150,243</u>	<u>\$ 520,977</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (2,922)	\$ (219,904)	\$ 2,310	\$ (220,516)
Adjustments:				
Depreciation	57,847	385,675	10,287	453,809
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable . . .	3,513	(4,820)	1,737	430
Decrease (increase) in materials and supplies inventory	(1,605)	365	13,573	12,333
Increase in intergovernmental receivable	-	(120,427)	-	(120,427)
Increase in accrued wages and benefits	631	726	789	2,146
Increase in pension obligation payable	193	222	242	657
Increase (decrease) in accounts payable	(2,208)	7,141	696	5,629
Increase in contracts payable	-	120,427	-	120,427
Decrease in compensated absences payable	(196)	(195)	(192)	(583)
Decrease in intergovernmental payable	(409)	(469)	(507)	(1,385)
Decrease (increase) in prepayments	4,613	(1,084)	(126)	3,403
Net cash provided by operating activities	<u>\$ 59,457</u>	<u>\$ 167,657</u>	<u>\$ 28,809</u>	<u>\$ 255,923</u>

Non-cash capital transactions:

During 2014, the sewer fund purchased capital assets on account in the amount of \$41,575.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 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 and 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The 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 position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Capital improvement fund - The capital improvement fund accounts for all transactions relating to the construction and improvements other than those financed by proprietary funds.

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Other governmental funds of the City are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, 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 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.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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

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

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 nonoperating 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 services and sales. 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 nonoperating 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 inflows and outflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues 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.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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 2014. 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 January 1, 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 reappropriated.

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 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. 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 2014, investments were limited to federal agency securities, 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. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2014. 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, 2014.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2014 amounted to \$15,548, which included \$6,878 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.

H. 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

I. Capital Assets

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

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

J. Compensated Absences

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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.

K. 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. Bonds, long-term notes, loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Activity

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

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

N. 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

O. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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 position is available. Net position restricted for other purposes consists primarily of street construction maintenance and repair and programs to enhance the security of persons and property.

P. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2014 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.

Q. 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 2014.

R. Assets Held for Resale

As part of the economic development program, the City has acquired land within its Industrial Park. The City's intent is for the land to be sold to businesses to promote economic development within the City. Transactions are conducted through the City's Capital Improvement Fund.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

NOTE 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.

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;

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$1,324,326. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$414,287 of the City's bank balance of \$1,366,595 was exposed to custodial risk as discussed below, while \$952,308 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

Investment type	Fair Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 110,755	\$ 110,755	\$ -	\$ -	\$ -	\$ -
U.S. Government money market	209,952	209,952	-	-	-	-
Negotiable CD's	644,539	220,023	99,913	-	324,603	-
FHLB	399,400	-	-	-	-	399,400
FNMA	348,246	-	-	-	-	348,246
Total	<u>\$ 1,712,892</u>	<u>\$ 540,730</u>	<u>\$ 99,913</u>	<u>\$ -</u>	<u>\$ 324,603</u>	<u>\$ 747,646</u>

The weighted average maturity of investments is 0.86 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

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 federal agency securities carry a rating of AA+ and Aaa by Standard & Poor's and Moody, respectively. 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.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2014:

Investment type	Fair Value	% of Total
STAR Ohio	\$ 110,755	6.46
U.S. Government money market	209,952	12.26
Negotiable CD's	644,539	37.63
FHLB	399,400	23.32
FNMA	348,246	20.33
Total	<u>\$ 1,712,892</u>	<u>100.00</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,324,326
Investments	1,712,892
Cash on hand	<u>200</u>
Total	<u>\$ 3,037,418</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,516,441
Business-type activities	<u>520,977</u>
Total	<u>\$ 3,037,418</u>

NOTE 5 - INTERFUND TRANSFERS

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

Transfers from general fund to:

Street construction, maintenance and repair	\$ 250,000
Capital improvement	275,000
Nonmajor governmental funds	282,492

Transfers from nonmajor governmental fund to:

Capital improvement	<u>202,500</u>
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Total transfers	<u><u>\$ 1,009,992</u></u>
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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.

During 2014, the bond retirement fund (a nonmajor governmental fund) transferred \$202,500 to the capital improvement fund in order to record principal and interest payments related to the notes payable in the appropriate funds.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 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 the County Auditor 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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by a deferred inflow 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 a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2014 was 1.3 mils per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

Real property tax	\$ 99,061,970
Public utility personal property	<u>2,430,240</u>
Total assessed value	<u><u>\$ 101,492,210</u></u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 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. 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, 2014. Income tax revenue for 2014 was \$3,190,649 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2014, 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, 2014.

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

Governmental activities:

Income taxes	\$ 548,617
Real and other taxes	109,529
Accounts	94,344
Accrued interest	3,283
Special assessments	19,256
Due from other governments	201,839

Business-type activities:

Accounts	594,469
Due from other governments	120,427

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2014, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,502,218	\$ -	\$ -	\$ 2,502,218
Construction in progress	<u>10,863</u>	<u>201,288</u>	<u>(212,151)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,513,081</u>	<u>201,288</u>	<u>(212,151)</u>	<u>2,502,218</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,737,996	-	-	1,737,996
Buildings and improvements	1,936,776	212,151	-	2,148,927
Equipment	917,261	-	-	917,261
Software	28,863	-	-	28,863
Vehicles	2,193,760	216,819	(147,029)	2,263,550
Infrastructure	<u>4,947,271</u>	<u>9,840</u>	<u>-</u>	<u>4,957,111</u>
Total capital assets, being depreciated	<u>11,761,927</u>	<u>438,810</u>	<u>(147,029)</u>	<u>12,053,708</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,340,894)	(54,925)	-	(1,395,819)
Buildings and improvements	(980,023)	(55,156)	-	(1,035,179)
Equipment	(536,210)	(63,646)	-	(599,856)
Software	(6,234)	(5,772)	-	(12,006)
Vehicles	(1,531,316)	(171,672)	140,137	(1,562,851)
Infrastructure	<u>(1,642,429)</u>	<u>(247,611)</u>	<u>-</u>	<u>(1,890,040)</u>
Total accumulated depreciation	<u>(6,037,106)</u>	<u>(598,782)</u>	<u>140,137</u>	<u>(6,495,751)</u>
Total capital assets, being depreciated, net	<u>5,724,821</u>	<u>(159,972)</u>	<u>(6,892)</u>	<u>5,557,957</u>
Governmental activities capital assets, net	<u>\$ 8,237,902</u>	<u>\$ 41,316</u>	<u>\$ (219,043)</u>	<u>\$ 8,060,175</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 55,624
Security of persons and property	159,171
Transportation	306,434
Leisure time activity	<u>77,553</u>
Total depreciation expense - governmental activities	<u>\$ 598,782</u>

A. Business-type activities capital asset activity for the year ended December 31, 2014 was as follows:

<u>Business-type activities:</u>	<u>Balance</u> 12/31/13	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/14
<i>Capital assets, not being depreciated:</i>				
Land	\$ 32,388	\$ -	\$ -	\$ 32,388
Construction in progress	<u>53,449</u>	<u>556,753</u>	<u>-</u>	<u>610,202</u>
Total capital assets, not being depreciated	<u>85,837</u>	<u>556,753</u>	<u>-</u>	<u>642,590</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,805,192	-	-	8,805,192
Buildings and improvements	352,271	-	-	352,271
Equipment	390,563	8,221	-	398,784
Vehicles	164,618	169,820	(113,848)	220,590
Infrastructure	<u>772,881</u>	<u>-</u>	<u>-</u>	<u>772,881</u>
Total capital assets, being depreciated	<u>10,485,525</u>	<u>178,041</u>	<u>(113,848)</u>	<u>10,549,718</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(7,306,309)	(355,102)	-	(7,661,411)
Buildings and improvements	(204,804)	(5,994)	-	(210,798)
Equipment	(91,774)	(37,109)	-	(128,883)
Vehicles	(132,006)	(16,961)	113,848	(35,119)
Infrastructure	<u>(275,490)</u>	<u>(38,643)</u>	<u>-</u>	<u>(314,133)</u>
Total accumulated depreciation	<u>(8,010,383)</u>	<u>(453,809)</u>	<u>113,848</u>	<u>(8,350,344)</u>
Total capital assets, being depreciated, net	<u>2,475,142</u>	<u>(275,768)</u>	<u>-</u>	<u>2,199,374</u>
Business-type activities capital assets, net	<u>\$ 2,560,979</u>	<u>\$ 280,985</u>	<u>\$ -</u>	<u>\$ 2,841,964</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 57,847
Sewer	385,675
Refuse	<u>10,287</u>
Total depreciation expense - business-type activities	<u><u>\$ 453,809</u></u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded on the statement of net position 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, fully vested employees are entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2014, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$47,444 and vested benefits for sick leave, totaled \$82,341. For proprietary fund types, vested benefits for vacation leave totaled \$22,134 and vested benefits for sick leave totaled \$10,604 at December 31, 2014. 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.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

- A.** In a prior year, the City entered into a capital lease agreement for a new backhoe. 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 \$75,157. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2014 was \$26,306, leaving a current book value of \$48,851. A corresponding liability was recorded in the government-wide financial statements. Principal payments for the backhoe in 2014 totaled \$18,948 paid by the street construction, maintenance and repair fund.

- B.** In a prior year, the City entered into a capital lease agreement for an ambulance. 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 \$189,999. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2014 was \$47,500, leaving a current book value of \$142,499. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2014 totaled \$47,901 and were made from the fire capital improvement fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

- C. During the current year, the City entered into a capital lease agreement for a refuse truck. 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 \$156,479. This amount represents the present value of the minimum lease payments at the time of acquisition of \$155,884 and additional truck accessories of \$595. Accumulated depreciation as of December 31, 2014 was \$9,780, leaving a current book value of \$146,699. A corresponding liability was recorded in the refuse fund. Principal payments in 2014 totaled \$7,256 and were made from the refuse 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, 2014.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015	\$ 68,740	\$ 33,217
2016	-	33,217
2017	-	33,217
2018	-	33,217
2019	-	24,913
Total future minimum lease payments	68,740	157,781
Less: amount representing interest	(734)	(9,153)
Present value of net minimum lease payments	<u>\$ 68,006</u>	<u>\$ 148,628</u>

NOTE 12 - SHORT-TERM OBLIGATIONS

The City's short-term note activity for the year ended December 31, 2014, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>
Governmental activities:						
Bond anticipation note	4/17/2013	1.250%	\$ 200,000	\$ -	\$ (200,000)	\$ -
Total			<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>

The bond anticipation notes issued were for various purposes. They were retired in full on April 17, 2014.

The City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - LONG-TERM OBLIGATIONS

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

Governmental activities:	Balance <u>12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/14</u>	Amounts Due in <u>One Year</u>
Note payable	\$ 832,000	\$ -	\$ (54,000)	\$ 778,000	\$ 56,000
OPWC loan payable	10,335	-	(1,723)	8,612	1,723
Equipment/vehicle lease obligation	134,855	-	(66,849)	68,006	68,006
Compensated absences	<u>132,613</u>	<u>79,762</u>	<u>(82,590)</u>	<u>129,785</u>	<u>47,444</u>
Total governmental activities long-term obligations	<u>\$ 1,109,803</u>	<u>\$ 79,762</u>	<u>\$ (205,162)</u>	<u>\$ 984,403</u>	<u>\$ 173,173</u>

Compensated absences: Compensated absences are reported on the statement of net position and will be paid from the fund from which the employee's salaries are paid, which will primarily be the general fund and the street construction, maintenance and repair 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 (a nonmajor governmental 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 2014 totaled \$1,723. The loan matures January 1, 2020. Principal payments are made from the street construction, maintenance and repair fund. The loan is interest free.

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

Year Ending December 31,	OPWC Loan	Note Payable		
	Principal	Principal	Interest	Total
2015	\$ 1,723	\$ 56,000	\$ 33,840	\$ 89,840
2016	1,722	59,000	31,331	90,331
2017	1,723	61,000	28,678	89,678
2018	1,723	64,000	25,943	89,943
2019	1,721	67,000	23,066	90,066
2020 - 2024	-	384,000	67,682	451,682
2025	-	<u>87,000</u>	<u>3,523</u>	<u>90,523</u>
Total	<u>\$ 8,612</u>	<u>\$ 778,000</u>	<u>\$ 214,063</u>	<u>\$ 992,063</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2014, the following changes occurred in the City's business-type long-term liabilities:

Business-type activities:	<u>Interest Rate</u>	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>	<u>Amounts Due in One Year</u>
<u>OPWC loans</u>						
Wastewater treatment plant - CD007	0.00%	\$ 192,123	\$ -	\$ (42,693)	\$ 149,430	\$ 42,693
Wastewater treatment plant - CD25Q	0.00%	53,449	503,762	-	557,211	-
Total OPWC loans		<u>245,572</u>	<u>503,762</u>	<u>(42,693)</u>	<u>706,641</u>	<u>42,693</u>
<u>Other long-term obligations</u>						
Loan payable	2.85%	63,674	-	(39,901)	23,773	23,773
Capital lease obligation		-	155,884	(7,256)	148,628	29,890
Compensated absences		33,321	22,760	(23,343)	32,738	22,134
Total business-type activities long-term obligations		<u>\$ 342,567</u>	<u>\$ 682,406</u>	<u>\$ (113,193)</u>	<u>\$ 911,780</u>	<u>\$ 118,490</u>

OPWC loans payable: The City has entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a new water tower 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, 2014, the City has outstanding borrowings of \$706,641 in the sewer fund which matures on July 1, 2018. The loan agreements require semi-annual payments based on the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

OPWC loan #CD25Q has been excluded from the following calculations because the loan is currently "open" meaning the final disbursements have not yet been made from OPWC.

Loan payable: During 2013, the City entered into an \$80,000 loan through Brookville National Bank to finance a sludge dewatering screw press. The note bears a fixed rate of 2.85% and is scheduled to mature on July 17, 2015. Payments of principal and interest on the loan are made from the sewer fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	OPWC Loan	Loan Payable		
	Principal	Principal	Interest	Total
2015	\$ 42,693	\$ 23,773	\$ 227	\$ 24,000
2016	42,693	-	-	-
2017	42,693	-	-	-
2018	21,351	-	-	-
Total	<u>\$ 149,430</u>	<u>\$ 23,773</u>	<u>\$ 227</u>	<u>\$ 24,000</u>

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, 2014, the City's total debt margin was \$10,410,576 and the unvoted debt margin was \$5,448,408.

NOTE 14 - RISK MANAGEMENT

A. Liability Insurance

The City of Brookville belongs to the Ohio Plan Risk Management, Inc. (the "Plan"), a non-assessable, non-profit providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 770 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 50% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 50% or \$125,000 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - RISK MANAGEMENT - (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31 (latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$13,774,304	\$13,100,381
Liabilities	(<u>\$7,968,395</u>)	(<u>6,687,193</u>)
Members' Equity	<u>\$5,805,909</u>	<u>\$6,413,188</u>

You can read the complete audited financial statements for The Ohio Plan Risk Management at the Plan's website, www.ohioplan.org.

B. Employee Health Insurance

During 2014, the City provided employees' health insurance through Anthem Blue Cross and Blue Shield. The City offered dual health insurance plans, a traditional plan and an HSA plan. Dental insurance is provided through Dental Select. Life insurance is provided through United Health Care. 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 eighty-eight percent of the cost of the health insurance.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 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.

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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, 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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$124,062, \$133,511, and \$104,014, respectively; 98.03% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as pension obligation payable on the basic financial statements.

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 or by visiting the website at www.op-f.org.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$127,867 and \$17,760 for the year ended December 31, 2014, \$112,820 and \$16,298 for the year ended December 31, 2013, and \$82,160 and \$13,794, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 97.94% has been contributed for police and 97.91% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as pension obligation payable on the basic financial statements.

NOTE 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 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 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 2014, 2013, and 2012 were \$20,684, \$10,266, and \$41,605, respectively; 98.03% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-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 or by visiting the website at www.op-f.org.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 2014, the portion of employer contributions allocated to health care was 0.50% 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 \$3,187 and \$356 for the year ended December 31, 2014, \$26,410 and \$2,975 for the year ended December 31, 2013, and \$43,496 and \$5,398, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 97.94% has been contributed for police and 97.91% has been contributed for firefighters for 2014. The remaining 2014 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>	Street Construction, Maintenance and <u>Repair fund</u>
Budget basis	\$ 143,414	\$ (9,122)
Net adjustment for revenue accruals	40,756	(1,318)
Net adjustment for expenditure accruals	9,780	3,616
Funds budgeted elsewhere	7,326	-
Adjustment for encumbrances	<u>34,834</u>	<u>1,343</u>
GAAP basis	<u>\$ 236,110</u>	<u>\$ (5,481)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the parks and recreation fund.

NOTE 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, 2014.

B. Litigation

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 19 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the City's major funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 29,852
Fire capital improvement fund	<u>177,296</u>
Total	<u>\$ 207,148</u>

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Street Construction, Maintenance and Repair	Capital Improvement	Fire Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 12,176	\$ 15,752	\$ -	\$ -	\$ -	\$ 27,928
Prepayments	<u>40,588</u>	<u>9,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,136</u>
Total nonspendable	<u>52,764</u>	<u>25,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,064</u>
Restricted:						
Capital projects	-	-	595,257	-	-	595,257
Transportation	-	172,138	-	-	-	172,138
Public safety programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,668</u>	<u>3,668</u>
Total restricted	<u>-</u>	<u>172,138</u>	<u>595,257</u>	<u>-</u>	<u>3,668</u>	<u>771,063</u>
Committed:						
Capital projects	-	-	-	502,634	-	502,634
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,069</u>	<u>9,069</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,634</u>	<u>9,069</u>	<u>511,703</u>
Assigned:						
General government	29,806	-	-	-	-	29,806
Public safety programs	46	-	-	-	-	46
Subsequent year appropriations	<u>324,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,333</u>
Total assigned	<u>354,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,185</u>
Unassigned	<u>1,568,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,568,720</u>
Total fund balances	<u>\$ 1,975,669</u>	<u>\$ 197,438</u>	<u>\$ 595,257</u>	<u>\$ 502,634</u>	<u>\$ 12,737</u>	<u>\$ 3,283,735</u>

NOTE 21 - SUBSEQUENT EVENT

On May 5, 2015, the City passed a permanent increase in the income tax rate in the amount of one-fourth of one percent (0.25%) effective January 1, 2016.



**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 5, 2015.

Internal Control over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 5, 2015

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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
JULY 7, 2015**