

**CITY OF BROOKVILLE
MONTGOMERY COUNTY**

REGULAR AUDIT

JANUARY 1, 2012 – DECEMBER 31, 2012





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, 2012 through December 31, 2012. 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

July 2, 2013

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

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

INDEPENDENT AUDITOR'S REPORT

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

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Emphasis of Matter

As disclosed in Note 3, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

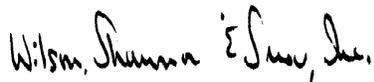
Other Matters

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 May 30, 2013, 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.



May 30, 2013

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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, 2012. 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 2012 are as follows:

- The total net position of the City decreased \$69,741 from the 2011 net position. Net position of governmental activities increased \$112,347 or 1.10% over the 2011 balance of \$10,243,835 and net position of business-type activities decreased \$182,088 or 5.34% under 2011.
- General revenues accounted for \$3,433,083 of total governmental activities revenue. Program specific revenues accounted for \$1,473,365 or 30.03% of total governmental activities revenue.
- The City had \$4,794,101 in expenses related to governmental activities; \$1,473,365 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$3,320,736 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,433,083.
- The general fund had revenues and other financing sources of \$4,294,825 in 2012. This represents an increase of \$82,925 from 2011 revenues. The expenditures and other financing uses of the general fund, which totaled \$4,305,730 in 2012, increased \$561,620 from 2011 expenditures. The net decrease in fund balance for the general fund was \$10,905 or 0.67%.
- The street construction, maintenance and repair fund had revenues and other financing sources of \$646,339 in 2012. The expenditures of the street construction maintenance and repair fund, totaled \$604,989 in 2012. The net increase in fund balance for the street construction maintenance and repair fund was \$41,350.
- The capital improvement fund had revenues and other financing sources of \$1,238,626 in 2012. The expenditures of the capital improvement fund, totaled \$722,820 in 2012. The net increase in fund balance for the capital improvement fund was \$515,806.
- The fire capital improvement fund had revenues and other financing sources of \$376,217 in 2012. The expenditures of the fire capital improvement fund, totaled \$332,297 in 2012. The net increase in fund balance for the fire capital improvement fund was \$43,920.
- Net position for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, decreased in 2012 by \$182,088. 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 \$120,444 higher than they were in the final budget and actual expenditures and other financing uses were \$117,320 less than the amount in the final budget.

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 2012?" 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
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 focuses 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
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 2012 compared to 2011.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 3,630,357	\$ 4,073,836	\$ 1,088,143	\$ 950,281	\$ 4,718,500	\$ 5,024,117
Capital assets, net	8,654,937	8,833,973	2,651,553	3,061,563	11,306,490	11,895,536
Total assets	12,285,294	12,907,809	3,739,696	4,011,844	16,024,990	16,919,653
Liabilities						
Long-term liabilities outstanding	1,419,330	1,551,417	305,249	391,512	1,724,579	1,942,929
Other liabilities	383,082	990,692	209,687	213,484	592,769	1,204,176
Total liabilities	1,802,412	2,542,109	514,936	604,996	2,317,348	3,147,105
Deferred Inflows of Resources						
Property taxes levied for the next year	126,700	121,865	-	-	126,700	121,865
Total deferred inflows of resources	126,700	121,865	-	-	126,700	121,865
Net Assets						
Net investment in capital assets	7,158,314	7,203,505	2,379,357	2,708,595	9,537,671	9,912,100
Restricted	637,747	409,022	-	-	637,747	409,022
Unrestricted	2,560,121	2,631,308	845,403	698,253	3,405,524	3,329,561
Total net position	\$ 10,356,182	\$ 10,243,835	\$ 3,224,760	\$ 3,406,848	\$ 13,580,942	\$ 13,650,683

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets exceeded liabilities and deferred inflows by \$13,580,942. At year-end, net position was \$10,356,182 and \$3,224,760 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 70.45% and 70.90% of total assets for the governmental activities and business-type activities, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, intangibles and infrastructure. The City's net investment in capital assets at December 31, 2012, was \$7,158,314 and \$2,379,357 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, \$637,747 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 \$2,560,121 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The following table shows the comparative analysis of changes in net position for 2012 compared to 2011.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,029,675	\$ 1,104,968	\$ 1,890,976	\$ 1,799,618	\$ 2,920,651	\$ 2,904,586
Operating grants & contributions	334,341	583,483	-	-	334,341	583,483
Capital grants & contributions	109,349	539,388	-	-	109,349	539,388
Total program revenues	1,473,365	2,227,839	1,890,976	1,799,618	3,364,341	4,027,457
General revenues:						
Property taxes	140,933	166,058	-	-	140,933	166,058
Income taxes	2,763,351	2,549,295	-	-	2,763,351	2,549,295
Unrestricted grants & entitlements	414,224	526,246	-	-	414,224	526,246
Investment earnings	25,277	11,307	-	-	25,277	11,307
Miscellaneous	89,298	9,082	6,342	6,290	95,640	15,372
Total general revenues	3,433,083	3,261,988	6,342	6,290	3,025,201	3,268,278
Total revenues	4,906,448	5,489,827	1,897,318	1,805,908	6,389,542	7,295,735
Expenses:						
General government	1,101,149	1,014,898	-	-	1,101,149	1,014,898
Security of persons & property	2,375,850	2,221,201	-	-	2,375,850	2,221,201
Public health and welfare	-	200,000	-	-	-	200,000
Transportation	1,024,532	1,110,275	-	-	1,024,532	1,110,275
Leisure time activity	251,057	240,897	-	-	251,057	240,897
Interest, fiscal & issuance costs	41,513	67,150	-	-	41,513	67,150
Water	-	-	1,013,809	987,497	1,013,809	987,497
Sewer	-	-	695,075	677,110	695,075	677,110
Refuse	-	-	370,522	379,920	370,522	379,920
Total expenses	4,794,101	4,854,421	2,079,406	2,044,527	6,873,507	6,898,948
Increase (decrease) in net position before transfers	112,347	635,406	(182,088)	(238,619)	(69,741)	396,787
Transfers	-	(122,066)	-	122,066	-	-
Change in net position	112,347	513,340	(182,088)	(116,553)	(69,741)	396,787
Net position at beginning of year	10,243,835	9,730,495	3,406,848	3,523,401	13,650,683	13,253,896
Net position at end of year	\$ 10,356,182	\$ 10,243,835	\$ 3,224,760	\$ 3,406,848	\$ 13,580,942	\$ 13,650,683

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Governmental Activities

Governmental activities net position increased \$112,347 in 2012 compared to a \$513,340 increase in net position in 2011. This is a result of decreasing revenues still being more than decreasing expenses.

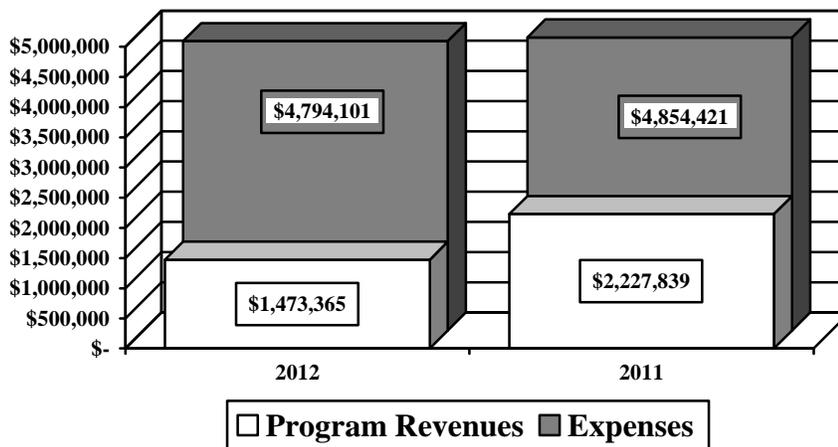
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,375,850 or 49.56% of the total expenses of the City. Security of persons and property expenses were partially funded by \$712,368 in direct charges to users of the services. General government expenses totaled \$1,101,149. General government expenses were partially funded by \$15,473 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$334,341 in operating grants and contributions and \$109,349 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$3,433,083 and amounted to 69.97% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,904,284. 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 \$414,224.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 compared to 2011. 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
MONTGOMERY COUNTY**

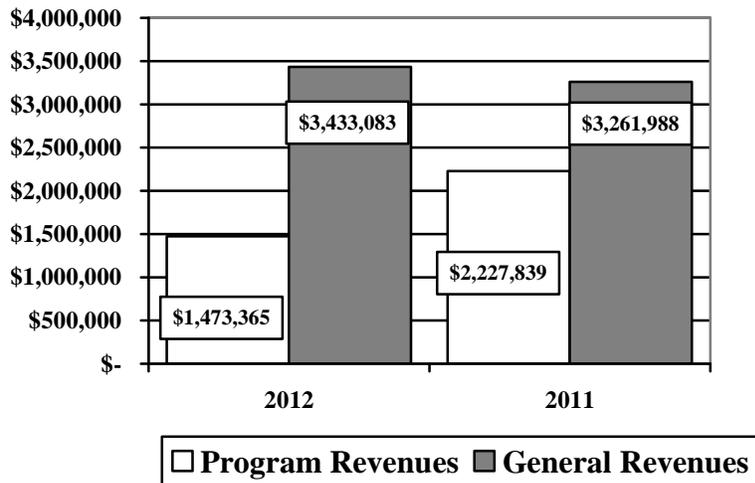
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Governmental Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,101,149	\$ 1,085,676	\$ 1,014,898	\$ 896,422
Security of persons and property	2,375,850	1,637,965	2,221,201	1,491,137
Public health and welfare	-	-	200,000	-
Transportation	1,024,532	335,089	1,110,275	(5,826)
Leisure time activity	251,057	220,493	240,897	177,699
Interest, fiscal charges & issuance costs	41,513	41,513	67,150	67,150
Total	\$ 4,794,101	\$ 3,320,736	\$ 4,854,421	\$ 2,626,582

The dependence upon general revenues for governmental activities is apparent, with 69.27% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2012.

Governmental Activities – General and Program Revenues



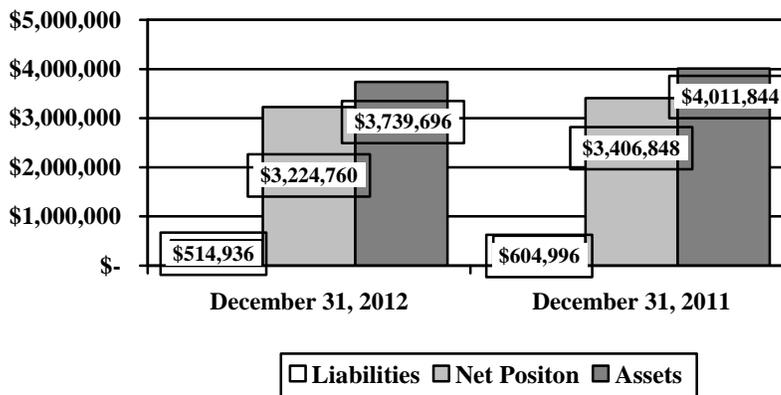
**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$1,890,976 and expenses of \$2,079,406 for 2012. 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 \$2,681,263 which is \$608,069 above last year's total of \$2,073,194. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and non-major governmental funds.

	Fund Balances 12/31/2012	Fund Balances (Deficit) 12/31/2011	Increase
Major funds:			
General	\$ 1,616,106	\$ 1,627,011	\$ (10,905)
Street construction, maintenance and repair	194,382	153,032	41,350
Capital improvement	343,801	(172,005)	515,806
Fire capital improvement	495,868	451,948	43,920
Other nonmajor governmental funds	31,106	13,208	17,898
Total	\$ 2,681,263	\$ 2,073,194	\$ 608,069

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

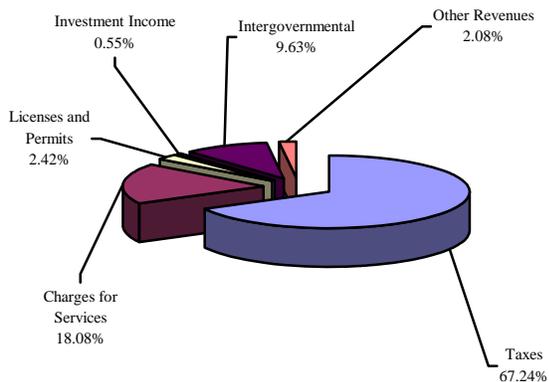
General Fund

The City's general fund balance decreased \$10,905. The table that follows assists in illustrating the revenues of the general fund.

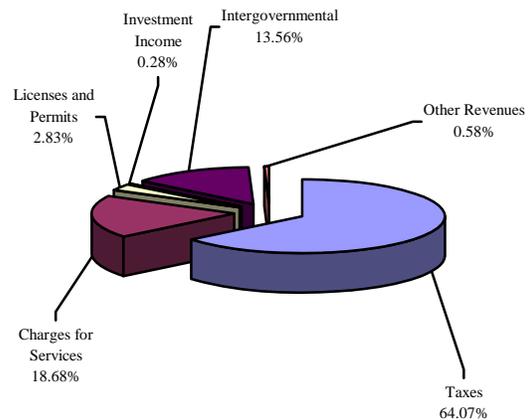
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,884,868	\$ 2,696,118	7.00 %
Charges for services	775,410	786,082	(1.36) %
Licenses, permits and fees	103,816	119,083	(12.82) %
Investment income	23,515	11,812	99.08 %
Intergovernmental	412,967	570,531	(27.62) %
Other	89,298	24,212	268.82 %
Total	<u>\$ 4,289,874</u>	<u>\$ 4,207,838</u>	1.95 %

The City's largest revenue source in the general fund was tax revenue, which represents 67.24% of all general fund revenue. Tax revenues increased 7.0% due to an increase in income tax revenues. Revenues related to licenses, permits and fees decreased 12.82% due to a decrease in revenues related to fines and forfeitures and building permits. Investment income increased 99.08% due to an increase in interest rates and amounts being invested. The 27.62% decrease in intergovernmental revenue is due a decrease in state shared tax revenues and local government county and State revenues.

Revenues - 2012



Revenues - 2011



**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

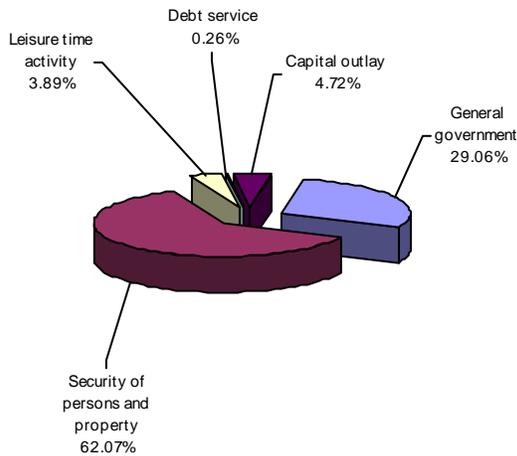
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

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

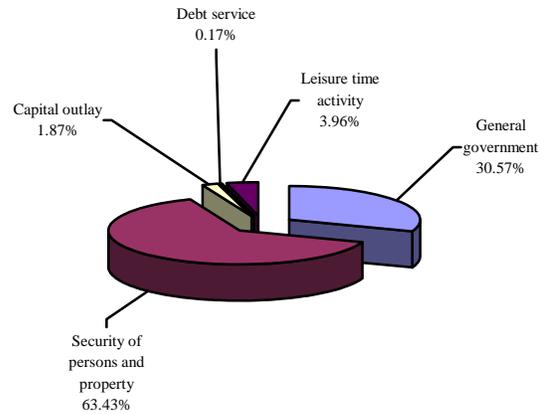
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 992,273	\$ 947,473	4.73 %
Security of persons and property	2,119,066	1,965,499	7.81 %
Leisure time activity	132,887	122,719	8.29 %
Capital outlay	161,268	58,017	177.97 %
Debt service	<u>9,022</u>	<u>5,245</u>	72.01 %
Total	<u>\$ 3,414,516</u>	<u>\$ 3,098,953</u>	10.18 %

Expenditures increased by 10.18% during 2012. Capital outlay increased primarily due to the City making more improvements to their land and buildings in 2012 compared to 2011.

Expenditures - 2012



Expenditures - 2011



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 \$120,444 higher than they were in the final budget and actual expenditures and other financing uses were \$117,320 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$388,000 from an original budget of \$3,824,892 to a final budget of \$4,212,892. Budgeted expenditures and other financing uses increased \$85,500 from an original budget of \$4,271,431 to a final budget of \$4,356,931.

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Street Construction, Maintenance and Repair Fund

The street construction, maintenance and repair fund had revenues and other financing sources of \$646,339 in 2012. The expenditures of the street construction, maintenance and repair fund, totaled \$604,989 in 2012. The net increase in fund balance for the street construction, maintenance and repair fund was \$41,350.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$1,238,626 in 2012. The expenditures of the capital improvement fund, totaled \$722,820 in 2012. The net increase in fund balance for the capital improvement fund was \$515,806.

Fire Capital Improvement Fund

The fire capital improvement fund had revenues and other financing sources of \$376,217 in 2012. The expenditures of the fire capital improvement fund, totaled \$332,297 in 2012. The net increase in fund balance for the fire capital improvement fund was \$43,920.

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 2012, the City had \$11,306,490 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Of this total, \$8,654,937 was reported in governmental activities and \$2,651,553 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2012 balances compared to 2011.

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

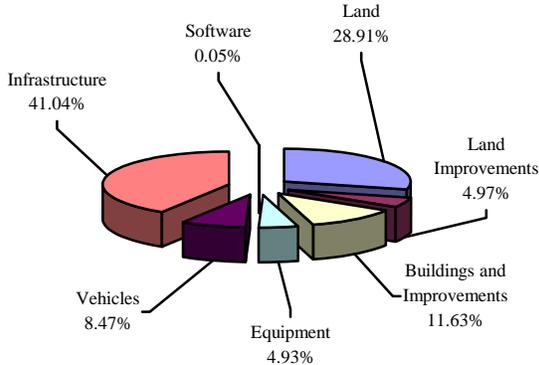
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,502,218	\$ 2,502,218	\$ 32,388	\$ 32,388	\$ 2,534,606	\$ 2,534,606
Land improvements	430,569	441,050	1,854,327	2,210,442	2,284,896	2,651,492
Buildings and improvements	1,006,641	945,395	154,020	161,066	1,160,661	1,106,461
Equipment	426,392	499,611	56,769	67,748	483,161	567,359
Software	4,016	5,355	-	-	4,016	5,355
Vehicles	732,898	640,778	18,014	15,240	750,912	656,018
Infrastructure	3,552,203	3,799,566	536,035	574,679	4,088,238	4,374,245
Totals	<u>\$ 8,654,937</u>	<u>\$ 8,833,973</u>	<u>\$ 2,651,553</u>	<u>\$ 3,061,563</u>	<u>\$ 11,306,490</u>	<u>\$ 11,895,536</u>

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

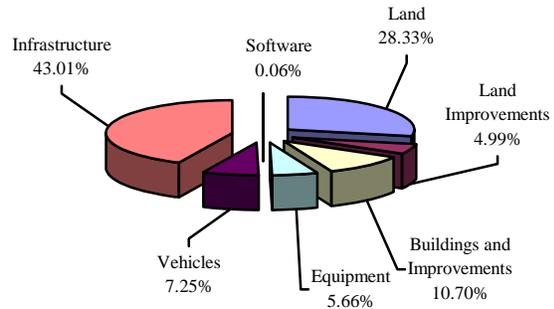
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.

Capital Assets - Governmental Activities 2012



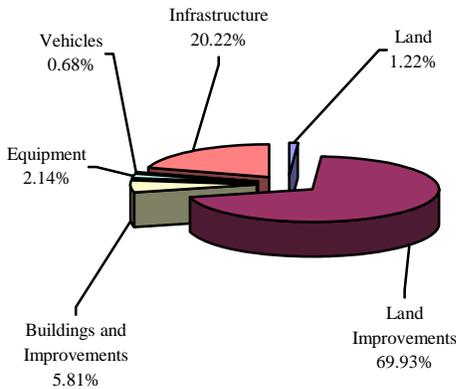
Capital Assets - Governmental Activities 2011



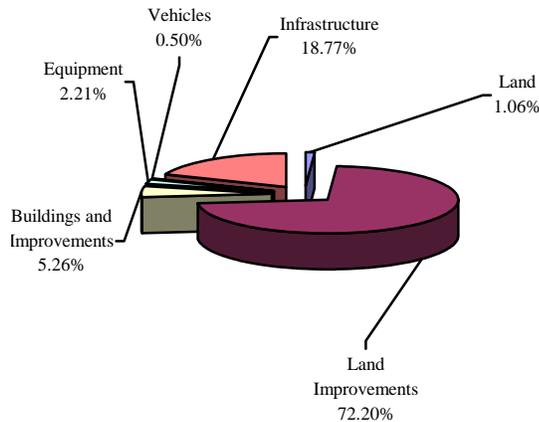
Infrastructure is the largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 41.04% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2012 and 2011.

Capital Assets - Business - Type Activities 2012



Capital Assets - Business - Type Activities 2011



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 69.93% of the City's total business-type capital assets.

**CITY OF BROOKVILLE, OHIO
MONTGOMERY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2012 and 2011:

	Governmental Activities	
	2012	2011
Note payable	\$ 884,000	\$ 933,000
OPWC loan	12,058	13,781
Capital lease payable	-	8,530
Equipment/vehicle lease obligation	200,565	75,157
Bond anticipation notes	200,000	400,000
Compensated absences	122,707	120,949
Total long-term obligations	<u>\$ 1,419,330</u>	<u>\$ 1,551,417</u>
	Business-type Activities	
	2012	2011
OPWC loans	\$ 272,196	\$ 352,968
Compensated absences	33,053	38,544
Total long-term obligations	<u>\$ 305,249</u>	<u>\$ 391,512</u>

See Note 14 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
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 and improve municipal infrastructure, while continually improving the overall appearance of the community.

The City's tax base includes a good mix of industrial, commercial, medical, service, retail, government and education segments. The City's primary industrial park, Mosier Industrial Park, is home to 18 businesses. Employment numbers in the Mosier Industrial Park increased considerably in 2012, which is a good sign that the economy may be rebounding. We continued to see employment growth in our NorthBrook Industrial Park with the opening of a third new business.

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.

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, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,151,923	\$ 462,968	\$ 2,614,891
Receivables:			
Income taxes	471,421	-	471,421
Real and other taxes	132,468	-	132,468
Accounts	151,167	589,875	741,042
Accrued interest	5,905	-	5,905
Special assessments	738	-	738
Due from other governments	200,678	437	201,115
Prepayments	45,093	17,525	62,618
Materials and supplies inventory	27,907	17,338	45,245
Land held for resale	443,057	-	443,057
Capital assets:			
Land	2,502,218	32,388	2,534,606
Depreciable capital assets, net	6,152,719	2,619,165	8,771,884
Total capital assets, net	8,654,937	2,651,553	11,306,490
Total assets	12,285,294	3,739,696	16,024,990
Liabilities:			
Accounts payable	63,958	195,281	259,239
Accrued wages and benefits payable	21,877	5,322	27,199
Due to other governments	50,539	7,703	58,242
Pension obligation payable	45,354	1,381	46,735
Accrued interest payable	1,354	-	1,354
Notes payable	200,000	-	200,000
Long-term liabilities:			
Due within one year	368,153	103,011	471,164
Due in more than one year	1,051,177	202,238	1,253,415
Total liabilities	1,802,412	514,936	2,317,348
Deferred inflows of resources:			
Property taxes levied for the next fiscal year . . .	126,700	-	126,700
Total deferred inflows of resources	126,700	-	126,700
Total liabilities and deferred inflows of resources.	1,929,112	514,936	2,444,048
Net position:			
Net investment in capital assets	7,158,314	2,379,357	9,537,671
Restricted for:			
Debt service	244	-	244
Capital projects	343,862	-	343,862
Other purposes	293,641	-	293,641
Unrestricted	2,560,121	845,403	3,405,524
Total net position	\$ 10,356,182	\$ 3,224,760	\$ 13,580,942

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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.	\$ 1,101,149	\$ 15,473	\$ -	\$ -
Security of persons and property . . .	2,375,850	712,368	25,517	-
Transportation.	1,024,532	271,270	308,824	109,349
Leisure time activity.	251,057	30,564	-	-
Interest and fiscal charges.	40,033	-	-	-
Note issuance costs.	1,480	-	-	-
Total governmental activities	<u>4,794,101</u>	<u>1,029,675</u>	<u>334,341</u>	<u>109,349</u>
Business-type activities:				
Water	1,013,809	990,911	-	-
Sewer	695,075	514,638	-	-
Refuse	<u>370,522</u>	<u>385,427</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,079,406</u>	<u>1,890,976</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,873,507</u>	<u>\$ 2,920,651</u>	<u>\$ 334,341</u>	<u>\$ 109,349</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
\$ (1,085,676)	\$ -	\$ (1,085,676)
(1,637,965)	-	(1,637,965)
(335,089)	-	(335,089)
(220,493)	-	(220,493)
(40,033)	-	(40,033)
(1,480)	-	(1,480)
(3,320,736)	-	(3,320,736)
-	(22,898)	(22,898)
-	(180,437)	(180,437)
-	14,905	14,905
-	(188,430)	(188,430)
(3,320,736)	(188,430)	(3,509,166)
140,933	-	140,933
2,763,351	-	2,763,351
414,224	-	414,224
25,277	-	25,277
89,298	6,342	95,640
3,433,083	6,342	3,439,425
112,347	(182,088)	(69,741)
10,243,835	3,406,848	13,650,683
\$ 10,356,182	\$ 3,224,760	\$ 13,580,942

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<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 . . .	\$ 1,372,625	\$ 164,325	\$ 101,421	\$ 482,490
Receivables:				
Income taxes	471,421	-	-	-
Real and other taxes	132,468	-	-	-
Accounts	137,198	-	-	13,925
Accrued interest	5,890	15	-	-
Special assessments	-	-	738	-
Due from other governments	51,172	149,506	-	-
Prepayments	37,172	7,921	-	-
Materials and supplies inventory	15,129	12,778	-	-
Land held for resale	-	-	443,057	-
Total assets	<u>\$ 2,223,075</u>	<u>\$ 334,545</u>	<u>\$ 545,216</u>	<u>\$ 496,415</u>
Liabilities:				
Accounts payable	\$ 58,687	\$ 4,724	\$ -	\$ 547
Accrued wages and benefits payable	18,678	3,199	-	-
Due to other governments	44,727	5,812	-	-
Pension obligation payable	44,376	978	-	-
Notes payable	-	-	200,000	-
Accrued interest payable	-	-	677	-
Total liabilities	<u>166,468</u>	<u>14,713</u>	<u>200,677</u>	<u>547</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . . .	126,700	-	-	-
Delinquent property tax revenue not available . . .	5,768	-	-	-
Accrued interest not available	3,734	-	-	-
Special assessments revenue not available	-	-	738	-
Income tax revenue not available	264,525	-	-	-
Other nonexchange transactions not available . . .	39,774	125,450	-	-
Total deferred inflows of resources	<u>440,501</u>	<u>125,450</u>	<u>738</u>	<u>-</u>
Total liabilities and deferred inflows of resources.	<u>606,969</u>	<u>140,163</u>	<u>201,415</u>	<u>547</u>
Fund balances:				
Nonspendable	52,301	20,699	-	-
Restricted	-	173,683	343,801	-
Committed	-	-	-	495,868
Assigned	492,016	-	-	-
Unassigned	1,071,789	-	-	-
Total fund balances	<u>1,616,106</u>	<u>194,382</u>	<u>343,801</u>	<u>495,868</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,223,075</u>	<u>\$ 334,545</u>	<u>\$ 545,216</u>	<u>\$ 496,415</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 31,062	\$ 2,151,923
-	471,421
-	132,468
44	151,167
-	5,905
-	738
-	200,678
-	45,093
-	27,907
-	443,057
<u>\$ 31,106</u>	<u>\$ 3,630,357</u>
\$ -	\$ 63,958
-	21,877
-	50,539
-	45,354
-	200,000
-	677
<u>-</u>	<u>382,405</u>
-	126,700
-	5,768
-	3,734
-	738
-	264,525
-	165,224
<u>-</u>	<u>566,689</u>
-	949,094
-	73,000
20,629	538,113
10,477	506,345
-	492,016
-	1,071,789
<u>31,106</u>	<u>2,681,263</u>
<u>\$ 31,106</u>	<u>\$ 3,630,357</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$	2,681,263
<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.			8,654,937
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	264,525	
Real and other taxes receivable		5,768	
Intergovernmental receivable		165,224	
Special assessments receivable		738	
Investment income receivable		3,734	
Total		439,989	439,989
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(677)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(122,707)	
Bond anticipation note payable		(200,000)	
Capital lease payable		(200,565)	
Note payable		(884,000)	
Loan payable		(12,058)	
Total		(1,419,330)	(1,419,330)
Net position of governmental activities		\$	10,356,182

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, 2012

	<u>General</u>	<u>Street Construction Maintenance & Repair</u>	<u>Capital Improvement</u>	<u>Fire Capital Improvement</u>
Revenues:				
Municipal income taxes	\$ 2,729,208	\$ -	\$ -	\$ -
Real and other taxes.	155,660	-	-	-
Charges for services.	775,410	75,013	10,345	178,683
Licenses, permits and fees.	103,816	-	-	-
Intergovernmental.	412,967	308,351	446,262	-
Special assessments	-	-	7,304	-
Investment income.	23,515	125	1,480	-
Rental income	25,976	-	-	-
Donations	6,402	-	10,060	3,010
Other	56,920	-	-	-
Total revenues	<u>4,289,874</u>	<u>383,489</u>	<u>475,451</u>	<u>181,693</u>
Expenditures:				
Current:				
General government	992,273	-	-	-
Security of persons and property	2,119,066	-	-	-
Transportation	-	583,782	-	-
Leisure time activity	132,887	-	-	-
Capital outlay	161,268	-	316,283	283,041
Debt service:				
Principal retirement.	8,530	20,031	400,000	46,283
Interest and fiscal charges	492	1,176	5,057	2,973
Note issuance costs.	-	-	1,480	-
Total expenditures	<u>3,414,516</u>	<u>604,989</u>	<u>722,820</u>	<u>332,297</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>875,358</u>	<u>(221,500)</u>	<u>(247,369)</u>	<u>(150,604)</u>
Other financing sources (uses):				
Sale of capital assets.	4,951	12,850	1,669	4,525
Sale of long-term notes	-	-	200,000	-
Capital lease transaction.	-	-	-	189,999
Transfers in	-	250,000	561,506	-
Transfers (out).	(891,214)	-	-	-
Total other financing sources (uses)	<u>(886,263)</u>	<u>262,850</u>	<u>763,175</u>	<u>194,524</u>
Net change in fund balances	(10,905)	41,350	515,806	43,920
Fund balances at beginning of year (deficit)	<u>1,627,011</u>	<u>153,032</u>	<u>(172,005)</u>	<u>451,948</u>
Fund balances at end of year	<u>\$ 1,616,106</u>	<u>\$ 194,382</u>	<u>\$ 343,801</u>	<u>\$ 495,868</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,729,208
-	155,660
-	1,039,451
-	103,816
-	1,167,580
-	7,304
-	25,120
-	25,976
-	19,472
25,517	82,437
<u>25,517</u>	<u>5,356,024</u>
-	992,273
7,189	2,126,255
-	583,782
-	132,887
-	760,592
49,000	523,844
31,138	40,836
-	1,480
<u>87,327</u>	<u>5,161,949</u>
<u>(61,810)</u>	<u>194,075</u>
-	23,995
-	200,000
-	189,999
289,214	1,100,720
(209,506)	(1,100,720)
<u>79,708</u>	<u>413,994</u>
17,898	608,069
13,208	2,073,194
<u>\$ 31,106</u>	<u>\$ 2,681,263</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$	608,069
 <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	\$ 438,199	
Current year depreciation	<u>(588,605)</u>	
Total		(150,406)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(28,630)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	34,143	
Real and other taxes	(14,727)	
Charges for services	(120,896)	
Intergovernmental revenues	(348,395)	
Special assessments	17	
Investment income	<u>1,762</u>	
Total		(448,096)
 Proceeds of notes and capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(389,999)
 Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		523,844
 In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		(677)
 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>(1,758)</u>
Change in net position of governmental activities	\$	<u>112,347</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes.	\$ 2,414,759	\$ 2,659,712	\$ 2,735,753	\$ 76,041
Real and other taxes.	139,231	153,355	157,739	4,384
Charges for services.	686,910	756,591	778,221	21,630
Licenses, permits and fees	65,177	71,789	73,841	2,052
Intergovernmental.	403,867	444,835	457,553	12,718
Investment income.	12,509	13,778	14,172	394
Rental income.	22,810	25,124	25,842	718
Donations	13	15	15	-
Other	49,061	54,038	55,583	1,545
Total revenues	<u>3,794,337</u>	<u>4,179,237</u>	<u>4,298,719</u>	<u>119,482</u>
Expenditures:				
Current:				
General government	1,062,884	1,062,884	997,040	65,844
Security of persons and property	2,124,341	2,154,841	2,114,607	40,234
Capital outlay	94,992	167,992	166,750	1,242
Total expenditures	<u>3,282,217</u>	<u>3,385,717</u>	<u>3,278,397</u>	<u>107,320</u>
Excess of revenues over expenditures.	<u>512,120</u>	<u>793,520</u>	<u>1,020,322</u>	<u>226,802</u>
Other financing sources (uses):				
Sale of capital assets.	4,075	4,489	4,617	128
Advances in	26,480	29,166	30,000	834
Transfers (out).	(989,214)	(971,214)	(961,214)	10,000
Total other financing sources (uses)	<u>(958,659)</u>	<u>(937,559)</u>	<u>(926,597)</u>	<u>10,962</u>
Net change in fund balances	(446,539)	(144,039)	93,725	237,764
Fund balance at beginning of year	1,188,579	1,188,579	1,188,579	-
Prior year encumbrances appropriated	31,217	31,217	31,217	-
Fund balance at end of year	<u>\$ 773,257</u>	<u>\$ 1,075,757</u>	<u>\$ 1,313,521</u>	<u>\$ 237,764</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services.	\$ 79,813	\$ 80,000	\$ 75,088	\$ (4,912)
Intergovernmental.	302,391	303,100	307,836	4,736
Investment income.	200	200	119	(81)
Total revenues	<u>382,404</u>	<u>383,300</u>	<u>383,043</u>	<u>(257)</u>
Expenditures:				
Current:				
Transportation	760,977	750,977	612,711	138,266
Debt service:				
Principal retirement.	1,800	1,800	1,723	77
Total expenditures	<u>762,777</u>	<u>752,777</u>	<u>614,434</u>	<u>138,343</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(380,373)</u>	<u>(369,477)</u>	<u>(231,391)</u>	<u>138,086</u>
Other financing sources:				
Sale of capital assets.	8,181	8,200	12,850	4,650
Transfers in	249,415	250,000	250,000	-
Total other financing sources	<u>257,596</u>	<u>258,200</u>	<u>262,850</u>	<u>4,650</u>
Net change in fund balances	(122,777)	(111,277)	31,459	142,736
Fund balance at beginning of year	123,300	123,300	123,300	-
Prior year encumbrances appropriated	4,777	4,777	4,777	-
Fund balance at end of year	<u>\$ 5,300</u>	<u>\$ 16,800</u>	<u>\$ 159,536</u>	<u>\$ 142,736</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 133,251	\$ 217,713	\$ 112,004	\$ 462,968
Receivables:				
Accounts.	303,111	160,302	126,462	589,875
Due from other governments.	129	148	160	437
Prepayments	7,921	6,742	2,862	17,525
Materials and supplies inventory.	16,311	1,027	-	17,338
Total current assets	<u>460,723</u>	<u>385,932</u>	<u>241,488</u>	<u>1,088,143</u>
Noncurrent assets:				
Capital assets:				
Land	-	32,388	-	32,388
Depreciable capital assets, net.	332,312	2,283,559	3,294	2,619,165
Total capital assets, net.	<u>332,312</u>	<u>2,315,947</u>	<u>3,294</u>	<u>2,651,553</u>
Total assets	<u>793,035</u>	<u>2,701,879</u>	<u>244,782</u>	<u>3,739,696</u>
Liabilities:				
Current liabilities:				
Accounts payable.	176,593	6,017	12,671	195,281
Accrued wages and benefits payable	1,570	1,799	1,953	5,322
Compensated absences payable - current.	6,772	7,755	8,411	22,938
Due to other governments	2,271	2,604	2,828	7,703
Pension obligation payable	407	467	507	1,381
OPWC loans payable	37,380	42,693	-	80,073
Total current liabilities	<u>224,993</u>	<u>61,335</u>	<u>26,370</u>	<u>312,698</u>
Long-term liabilities:				
Compensated absences payable	3,042	3,413	3,660	10,115
OPWC loans payable	-	192,123	-	192,123
Total long-term liabilities	<u>3,042</u>	<u>195,536</u>	<u>3,660</u>	<u>202,238</u>
Total liabilities	<u>228,035</u>	<u>256,871</u>	<u>30,030</u>	<u>514,936</u>
Net position:				
Net investment in capital assets.	294,932	2,081,131	3,294	2,379,357
Unrestricted	270,068	363,877	211,458	845,403
Total net position.	<u>\$ 565,000</u>	<u>\$ 2,445,008</u>	<u>\$ 214,752</u>	<u>\$ 3,224,760</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, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 987,161	\$ 510,138	\$ 385,427	\$ 1,882,726
Tap-in fees.	3,750	4,500	-	8,250
Other operating revenues	3,171	3,171	-	6,342
Total operating revenues.	<u>994,082</u>	<u>517,809</u>	<u>385,427</u>	<u>1,897,318</u>
Operating expenses:				
Personal services	143,247	164,022	177,920	485,189
Contract services.	806,053	159,981	160,552	1,126,586
Materials and supplies.	5,331	11,271	31,544	48,146
Depreciation.	55,969	359,801	506	416,276
Total operating expenses.	<u>1,010,600</u>	<u>695,075</u>	<u>370,522</u>	<u>2,076,197</u>
Operating income (loss)	<u>(16,518)</u>	<u>(177,266)</u>	<u>14,905</u>	<u>(178,879)</u>
Nonoperating expenses:				
Interest and fiscal charges	(3,209)	-	-	(3,209)
Total nonoperating expenses.	<u>(3,209)</u>	<u>-</u>	<u>-</u>	<u>(3,209)</u>
Change in net position	(19,727)	(177,266)	14,905	(182,088)
Net position at beginning of year	<u>584,727</u>	<u>2,622,274</u>	<u>199,847</u>	<u>3,406,848</u>
Net position at end of year	<u>\$ 565,000</u>	<u>\$ 2,445,008</u>	<u>\$ 214,752</u>	<u>\$ 3,224,760</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, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 977,562	\$ 502,959	\$ 377,042	\$ 1,857,563
Cash received from tap-in fees	3,750	4,500	-	8,250
Cash received from other operations	3,171	3,171	-	6,342
Cash payments for personal services	(144,391)	(165,429)	(179,498)	(489,318)
Cash payments for contract services	(810,355)	(165,149)	(160,716)	(1,136,220)
Cash payments for materials and supplies	(8,157)	(11,054)	(31,364)	(50,575)
Net cash provided by operating activities	<u>21,580</u>	<u>168,998</u>	<u>5,464</u>	<u>196,042</u>
Cash flows from noncapital financing activities:				
Cash payments for interfund loans	-	(30,000)	-	(30,000)
Net cash used in noncapital financing activities	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(3,133)	(3,133)	-	(6,266)
Principal retirement on OPWC loans	(35,579)	(45,193)	-	(80,772)
Interest and fiscal charges	(3,209)	-	-	(3,209)
Net cash used in capital and related financing activities	<u>(41,921)</u>	<u>(48,326)</u>	<u>-</u>	<u>(90,247)</u>
Net increase (decrease) in cash and cash equivalents	(20,341)	90,672	5,464	75,795
Cash and cash equivalents at beginning of year	153,592	127,041	106,540	387,173
Cash and cash equivalents at end of year	<u>\$ 133,251</u>	<u>\$ 217,713</u>	<u>\$ 112,004</u>	<u>\$ 462,968</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (16,518)	\$ (177,266)	\$ 14,905	\$ (178,879)
Adjustments:				
Depreciation	55,969	359,801	506	416,276
Changes in assets and liabilities:				
Increase in accounts receivable	(9,599)	(7,179)	(8,385)	(25,163)
Increase in materials and supplies inventory	(3,132)	(152)	-	(3,284)
Increase in intergovernmental receivable	(129)	(148)	(160)	(437)
Increase in accrued wages and benefits	684	786	856	2,326
Increase in pension obligation payable	283	325	353	961
Increase (decrease) in accounts payable	322	(5,822)	(450)	(5,950)
Decrease in compensated absences payable	(1,551)	(1,865)	(2,075)	(5,491)
Decrease in intergovernmental payable	(331)	(385)	(418)	(1,134)
Decrease (increase) in prepayments	(4,418)	903	332	(3,183)
Net cash provided by operating activities	<u>\$ 21,580</u>	<u>\$ 168,998</u>	<u>\$ 5,464</u>	<u>\$ 196,042</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 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, 2012

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 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, 2012

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, 2012

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 sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as 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, 2012

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 position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position 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, 2012, but which were levied to finance year 2013 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, 2012, 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 2012. 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, 2012

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 2012, investments were limited to negotiable and nonnegotiable certificates of deposit, investments in State Treasury Asset Reserve of Ohio (STAR Ohio) and U.S. Government money markets. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2012. 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, 2012.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2012 amounted to \$23,515, which included \$11,490 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, 2012

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, 2012

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, 2012

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, 2012

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

O. Net Position

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

P. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2012 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 2012.

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 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2012, the carrying amount of all City deposits was \$620,600. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2012, \$307,933 of the City’s bank balance of \$857,933 was exposed to custodial risk as discussed below, while \$550,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2012, 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
STAR Ohio	\$ 611,027	\$ 611,027	\$ -	\$ -	\$ -
U.S. Government money market	26,147	26,147	-	-	-
Negotiable CD's	1,356,917	100,147	452,124	502,168	302,478
Total	<u>\$ 1,994,091</u>	<u>\$ 737,321</u>	<u>\$ 452,124</u>	<u>\$ 502,168</u>	<u>\$ 302,478</u>

The weighted average maturity of investments is 0.79 years.

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 611,027	30.63
U.S. Government money market	26,147	1.31
Negotiable CD's	<u>1,356,917</u>	<u>68.06</u>
Total	<u>\$ 1,994,091</u>	<u>100.00</u>

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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 620,600
Investments	1,994,091
Cash on hand	<u>200</u>
Total	<u>\$ 2,614,891</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,151,923
Business-type activities	<u>462,968</u>
Total	<u>\$ 2,614,891</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2012, 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	352,000
Nonmajor governmental funds	289,214

Transfers from nonmajor governmental fund to:

Capital improvement	<u>209,506</u>
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Total transfers	<u>\$1,100,720</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, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer assets purchased by governmental funds to enterprise funds.

During 2012, the bond retirement fund (a nonmajor governmental fund) transferred \$209,506 to the capital improvement fund in order to record principal and interest payments related to 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.

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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2012 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 2012 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, 2012 was 1.3 mils per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Real property tax	\$ 103,781,910
Public utility personal property	<u>2,121,630</u>
Total assessed value	<u>\$ 105,903,540</u>

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 or all, depending on where they work. Employers within the city are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2012. Income tax revenue for 2012 was \$2,729,208 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, 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, 2012.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

Income taxes	\$ 471,421
Real and other taxes	132,468
Accounts	151,167
Accrued interest	5,905
Special assessments	738
Due from other governments	200,678

Business-type activities:

Accounts	589,875
Due from other governments	437

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.

NOTE 9 - NOTES RECEIVABLE

During 2007, the City loaned Western Ohio Properties, LLC (“Western Ohio”), \$207,821, to assist in financing the cost of land at the City’s industrial park. In consideration of the repayment of the note, Western Ohio was to begin making monthly payments of \$1,500 on April 15, 2008 and continue on the 15th day of each month until April 4, 2011, when the remaining principal on the note was to become due and payable in full. The principal balance as of December 31, 2011 was \$120,821. Western Ohio made no monthly payments during 2012; however, during 2012 the City agreed to a \$62,500 settlement with Western Ohio. The agreed upon settlement and revenue received by the City reduced the receivable to \$0 at December 31, 2012.

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2012, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,502,218	\$ -	\$ -	\$ 2,502,218
Total capital assets, not being depreciated	<u>2,502,218</u>	<u>-</u>	<u>-</u>	<u>2,502,218</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,671,684	43,940	-	1,715,624
Buildings and improvements	1,815,598	115,205	-	1,930,803
Equipment	966,794	5,300	(68,236)	903,858
Software	6,693	-	-	6,693
Vehicles	2,053,758	273,754	(171,987)	2,155,525
Infrastructure	<u>4,947,271</u>	<u>-</u>	<u>-</u>	<u>4,947,271</u>
Total capital assets, being depreciated	<u>11,461,798</u>	<u>438,199</u>	<u>(240,223)</u>	<u>11,659,774</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,230,634)	(54,421)	-	(1,285,055)
Buildings and improvements	(870,203)	(53,959)	-	(924,162)
Equipment	(467,183)	(64,575)	54,292	(477,466)
Software	(1,338)	(1,339)	-	(2,677)
Vehicles	(1,412,980)	(166,948)	157,301	(1,422,627)
Infrastructure	<u>(1,147,705)</u>	<u>(247,363)</u>	<u>-</u>	<u>(1,395,068)</u>
Total accumulated depreciation	<u>(5,130,043)</u>	<u>(588,605)</u>	<u>211,593</u>	<u>(5,507,055)</u>
Total capital assets, being depreciated, net	<u>6,331,755</u>	<u>(150,406)</u>	<u>(28,630)</u>	<u>6,152,719</u>
Governmental activities capital assets, net	<u>\$ 8,833,973</u>	<u>\$ (150,406)</u>	<u>\$ (28,630)</u>	<u>\$ 8,654,937</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 56,856
Security of persons and property	167,892
Transportation	287,306
Leisure time activity	<u>76,551</u>
Total depreciation expense - governmental activities	<u>\$ 588,605</u>

B. Business-type activities capital asset activity for the year ended December 31, 2012 was as follows:

<u>Business-type activities:</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 32,388	\$ -	\$ -	\$ 32,388
Total capital assets, not being depreciated	<u>32,388</u>	<u>-</u>	<u>-</u>	<u>32,388</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,805,192	-	-	8,805,192
Buildings and improvements	352,271	-	-	352,271
Equipment	124,705	-	-	124,705
Vehicles	138,638	6,266	-	144,904
Infrastructure	<u>772,881</u>	<u>-</u>	<u>-</u>	<u>772,881</u>
Total capital assets, being depreciated	<u>10,193,687</u>	<u>6,266</u>	<u>-</u>	<u>10,199,953</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,594,750)	(356,115)	-	(6,950,865)
Buildings and improvements	(191,205)	(7,046)	-	(198,251)
Equipment	(56,957)	(10,979)	-	(67,936)
Vehicles	(123,398)	(3,492)	-	(126,890)
Infrastructure	<u>(198,202)</u>	<u>(38,644)</u>	<u>-</u>	<u>(236,846)</u>
Total accumulated depreciation	<u>(7,164,512)</u>	<u>(416,276)</u>	<u>-</u>	<u>(7,580,788)</u>
Total capital assets, being depreciated, net	<u>3,029,175</u>	<u>(410,010)</u>	<u>-</u>	<u>2,619,165</u>
Business-type activities capital assets, net	<u>\$ 3,061,563</u>	<u>\$ (410,010)</u>	<u>\$ -</u>	<u>\$ 2,651,553</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 55,969
Sewer	359,801
Refuse	<u>506</u>
Total depreciation expense - business-type activities	<u>\$ 416,276</u>

NOTE 11 - 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, 2012, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$48,720 and vested benefits for sick leave, totaled \$73,987. For proprietary fund types, vested benefits for vacation leave totaled \$22,938 and vested benefits for sick leave totaled \$10,115 at December 31, 2012. 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 12 - CAPITAL LEASES - LESSEE DISCLOSURE

- A.** In prior years, the City entered into capital lease agreements for copiers and a new backhoe. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

A corresponding liability was recorded in the government-wide financial statements. Principal payments for copiers in 2012 totaled \$8,530 paid by the general fund and backhoe principal payments in 2012 totaled \$18,308 paid by the street construction, maintenance and repair fund.

- B.** During the current year and during the prior fiscal year, the City entered into capital lease agreement for a new medic unit. 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 and vehicles have been capitalized in the amount of \$265,156. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$20,774, leaving a current book value of \$244,382. A corresponding liability was recorded in the government-wide financial statements. The City began making principal payments in 2012.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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, 2012.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2013	\$ 68,740
2014	68,740
2015	<u>68,740</u>
Total future minimum lease payments	206,220
Less: amount representing interest	<u>(5,655)</u>
Present value of net minimum lease payments	<u>\$200,565</u>

NOTE 13 - SHORT-TERM OBLIGATIONS

The City's short-term note activity for the year ended December 31, 2012, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>
Governmental activities:						
Bond anticipation note	4/18/2012	1.625%	\$ -	\$ 200,000	\$ -	\$ 200,000
Bond anticipation note	4/19/2011	1.625%	200,000	-	(200,000)	-
Bond anticipation note	9/14/2011	1.625%	<u>600,000</u>	-	<u>(600,000)</u>	<u>-</u>
Total			<u>\$ 800,000</u>	<u>\$ 200,000</u>	<u>\$ (800,000)</u>	<u>\$ 200,000</u>

The bond anticipation notes issued on September 14, 2011 were for street improvements and the bond anticipation notes issued on April 19, 2011 were for various purposes. The bond anticipation notes issued on April 18, 2012 were for various purposes and represent the portion of the 2012 note issuance that will be retired when the bond anticipation notes are reissued on April 17, 2013 (See Note 22 for detail).

The City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year and will be retired from the capital improvement fund.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM OBLIGATIONS

A. During 2012, the following changes occurred in governmental activities long-term obligations:

Governmental activities:	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/12</u>	Amounts Due in <u>One Year</u>
Bond anticipation notes	\$ 400,000	\$ 200,000	\$ (400,000)	\$ 200,000	\$ 200,000
Note payable	933,000	-	(49,000)	884,000	52,000
OPWC loan payable	13,781	-	(1,723)	12,058	1,723
Capital lease obligations	8,530	-	(8,530)	-	-
Equipment/vehicle lease obligation	75,157	189,999	(64,591)	200,565	65,710
Compensated absences	<u>120,949</u>	<u>67,768</u>	<u>(66,010)</u>	<u>122,707</u>	<u>48,720</u>
Total governmental activities long-term obligations	<u>\$ 1,551,417</u>	<u>\$ 457,767</u>	<u>\$ (589,854)</u>	<u>\$ 1,419,330</u>	<u>\$ 368,153</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 bond retirement fund (a nonmajor governmental fund).

Bond anticipation notes: On April 19, 2012 the City retired a \$400,000 bond anticipation note payable bearing an interest rate of 1.625%. On April 18, 2012, the City issued a \$200,000 bond anticipation note bearing a 1.625% interest rate. This note matures on April 18, 2013. Payments of principal and interest are paid from the capital improvement fund.

Notes that were refinanced prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as a long-term liability. The portion of the 2012 note issues that will be retired on April 18, 2012 (see Note 22 for detail) have been reported as short-term notes payable in Note 13. The notes are backed by the full faith and credit of the City.

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 2012 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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
2013	\$ 1,723	\$ 52,000	\$ 38,591	\$ 90,591
2014	1,723	54,000	36,261	90,261
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 - 2022	3,444	351,000	99,598	450,598
2023 - 2025	-	251,000	20,615	271,615
Total	<u>\$ 12,058</u>	<u>\$ 884,000</u>	<u>\$ 288,914</u>	<u>\$ 1,172,914</u>

B. During 2012, the following changes occurred in the City's business-type long-term liabilities:

Business-type activities:	Interest Rate	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amounts Due in One Year
<u>OPWC loans</u>						
Water tower	5.00%	\$ 72,959	\$ -	\$ (35,579)	\$ 37,380	\$ 37,380
Wolf Creek sanitary trunk main	0.00%	2,500	-	(2,500)	-	-
Wastewater treatment plant	0.00%	<u>277,509</u>	<u>-</u>	<u>(42,693)</u>	<u>234,816</u>	<u>42,693</u>
Total OPWC loans		<u>352,968</u>	<u>-</u>	<u>(80,772)</u>	<u>272,196</u>	<u>80,073</u>
<u>Other long-term obligations</u>						
Compensated absences		<u>38,544</u>	<u>22,938</u>	<u>(28,429)</u>	<u>33,053</u>	<u>22,938</u>
Total business-type activities long-term obligations		<u>\$ 391,512</u>	<u>\$ 22,938</u>	<u>\$ (109,201)</u>	<u>\$ 305,249</u>	<u>\$ 103,011</u>

The City has entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a new water tower, the Wolf Creek sanitary trunk extension and wastewater treatment plant improvements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2012, the City has outstanding borrowings of \$37,380 in the water fund and \$234,816 in the sewer fund which mature on January 1, 2014 and July 1, 2018, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The wastewater treatment plant of the OPWC loan is interest free; the Water Tower has a rate of 5%.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 80,073	\$ 1,408	\$ 81,481
2014	42,693	-	42,693
2015	42,693	-	42,693
2016	42,693	-	42,693
2017	42,693	-	42,693
2018	21,351	-	21,351
Total	<u>\$ 272,196</u>	<u>\$ 1,408</u>	<u>\$ 273,604</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, 2012, the City's total debt margin was \$10,907,822 and the unvoted debt margin was \$5,708,005.

NOTE 15 - RISK MANAGEMENT

A. Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has contracted with Ohio Plan Risk Management, Inc., an Ohio government risk management program. The Plan was formed in June 1988 for the primary purpose of managing third-party liability claims against its members. The Plan provides property, liability, error and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its 730 members. The City's settled claims have not exceeded insurance coverage for the past four years. The Plan has chosen to adopt the forms and endorsements of conventional insurance coverages and to reinsure these coverages. The Ohio Plan Risk Management, Inc. collects premiums and shares in claim payments for liability (limited to 41.5% of a covered loss up to \$103,750) and property (limited to 10% of covered loss up to \$100,000). Therefore, the City is only responsible for its self-retention (deductible) amount. The Plan insures its coverage 100% with various reinsurance companies up to a limit of \$10,000,000 per occurrence, per member.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 - RISK MANAGEMENT - (Continued)

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

B. Employee Health Insurance

During 2012, 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 ninety percent of the cost from January 1, 2012 through July 31, 2012. Beginning August 1, 2012, the City paid 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.

NOTE 16 - 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 16 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$104,014, \$106,543, and \$93,749, respectively; 100% has been contributed for 2012, 2011 and 2010.

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.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$82,160 and \$13,794 for the year ended December 31, 2012, \$86,159 and \$12,806 for the year ended December 31, 2011, and \$83,224 and \$12,332, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 73.72% has been contributed for police and 75.37% has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as pension obligation payable on the basic financial statements.

NOTE 17 - 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, Attention: Finance Director, 277 E. Town St., 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 2012, 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 for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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, 2012, 2011, and 2010 were \$41,605, \$42,617, and \$53,445, respectively; 100% has been contributed for 2012, 2011 and 2010.

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 percent 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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.

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 the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$43,496 and \$5,398 for the year ended December 31, 2012, \$45,613 and \$5,011 for the year ended December 31, 2011, and \$44,060 and \$4,825, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 73.72% has been contributed for police and 75.37% has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

NOTE 18 - 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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);
- (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	\$ 93,725	\$ 31,459
Net adjustment for revenue accruals	(76,819)	446
Net adjustment for expenditure accruals	(29,034)	4,656
Net adjustment for other sources/uses	(30,000)	-
Funds budgeted elsewhere	5,421	-
Adjustment for encumbrances	<u>25,802</u>	<u>4,789</u>
GAAP basis	<u>\$ (10,905)</u>	<u>\$ 41,350</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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 19 - 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, 2012.

B. Litigation

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

NOTE 20 - 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 governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 260
Street construction, maintenance and repair fund	<u>3,100</u>
Total	<u>\$ 3,360</u>

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**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 21 - 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	\$ 37,172	\$ 7,921	\$ -	\$ -	\$ -	\$ 45,093
Prepays	<u>15,129</u>	<u>12,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,907</u>
Total nonspendable	<u>52,301</u>	<u>20,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,000</u>
Restricted:						
Debt service	-	-	-	-	244	244
Capital projects	-	-	343,801	-	-	343,801
Transportation	-	173,683	-	-	-	173,683
Public safety programs	-	-	-	-	20,385	20,385
Total restricted	<u>-</u>	<u>173,683</u>	<u>343,801</u>	<u>-</u>	<u>20,629</u>	<u>538,113</u>
Committed:						
Capital projects	-	-	-	495,868	-	495,868
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,477</u>	<u>10,477</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,868</u>	<u>10,477</u>	<u>506,345</u>
Assigned:						
General government	260	-	-	-	-	260
Subsequent year appropriations	<u>491,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,756</u>
Total assigned	<u>492,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,016</u>
Unassigned	<u>1,071,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,789</u>
Total fund balances	<u>\$ 1,616,106</u>	<u>\$ 194,382</u>	<u>\$ 343,801</u>	<u>\$ 495,868</u>	<u>\$ 31,106</u>	<u>\$ 2,681,263</u>

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS

On April 17, 2013, the City issued a \$200,000 bond anticipation note to retire a portion of the \$400,000 anticipation note issued on April 18, 2012 (See Note 13 and 14). This note bears an interest rate of 1.25% and matures on April 17, 2014.



**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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2013 wherein we noted the City adopted Governmental Accounting Standards Board Statement No.'s 60, 62, 63, and 65 as disclosed in Note 3.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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, Shuman & Snow, Inc.

May 30, 2013



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 16, 2013**