

CITY OF BROOKVILLE
MONTGOMERY COUNTY
REGULAR AUDIT
JANUARY 1, 2015 – DECEMBER 31, 2015





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, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 30, 2016

This page intentionally left blank.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	19
STATEMENT OF ACTIVITIES	20
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS	22
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES	23
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	24
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GENERAL FUND	26
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND	27
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	28
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	29
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	30
NOTES TO THE BASIC FINANCIAL STATEMENTS	31
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION –	
SCHEDULE OF THE CITY’S PROPORTIONATE SHARE OF THE NET PENION LIABILITY	72
SCHEDULE OF CITY CONTRIBUTIONS	74
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	78
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS	79

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brookville, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

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

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance, and Repair Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 3, 2016

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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, 2015. 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 2015 are as follows:

- The total net position of the City decreased \$101,648. Net position of governmental activities increased \$48,330 or 0.56% from 2014's restated net position. Net position of business-type activities decreased \$149,978 or 5.95% from 2014's restated net position.
- General revenues accounted for \$3,521,702 or 68.88% of total governmental activities revenue. Program specific revenues accounted for \$1,591,065 or 31.12% of total governmental activities revenue.
- The City had \$5,064,437 in expenses related to governmental activities; \$1,591,065 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$3,473,372 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,521,702.
- The general fund had revenues and other financing sources of \$4,463,402 in 2015. This represents an increase of \$46,433 from 2014's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$4,206,090 in 2015, increased \$25,231 from 2014's expenditures and other financing uses. The net increase in fund balance for the general fund was \$257,312 or 13.02%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$706,578 in 2015. The expenditures of the street construction maintenance and repair fund, totaled \$626,953 in 2015. The net increase in fund balance for the street construction maintenance and repair fund was \$79,625.
- The capital improvement fund had revenues and other financing sources of \$461,778 in 2015. The expenditures of the capital improvement fund, totaled \$366,509 in 2015. The net increase in fund balance for the capital improvement fund was \$95,269.
- Net position for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, decreased in 2015 by \$149,978 from 2014's restated net position. 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 \$110,043 higher than they were in the final budget and actual expenditures and other financing uses were \$303,895 less than the amount in the final budget.

Using this Annual Financial Report

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

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

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 2015?" 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 19-21 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 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 and the 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 22-27 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 31-71 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 72-78 of this report.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<u>Assets</u>						
Current and other assets	\$ 4,191,469	\$ 3,967,733	\$ 1,322,674	\$ 1,276,070	\$ 5,514,143	\$ 5,243,803
Capital assets, net	7,825,025	8,060,175	3,741,162	2,841,964	11,566,187	10,902,139
Total assets	<u>12,016,494</u>	<u>12,027,908</u>	<u>5,063,836</u>	<u>4,118,034</u>	<u>17,080,330</u>	<u>16,145,942</u>
<u>Deferred outflows of resources</u>						
Pension	368,952	229,557	60,455	42,789	429,407	272,346
Total deferred outflows	<u>368,952</u>	<u>229,557</u>	<u>60,455</u>	<u>42,789</u>	<u>429,407</u>	<u>272,346</u>
<u>Liabilities</u>						
Current liabilities	94,789	131,393	228,803	393,719	323,592	525,112
Long-term liabilities:						
Due within one year	124,167	173,173	143,109	118,490	267,276	291,663
Net pension liability	2,480,494	2,357,142	342,992	335,245	2,823,486	2,692,387
Other amounts	839,440	811,230	2,033,260	793,290	2,872,700	1,604,520
Total liabilities	<u>3,538,890</u>	<u>3,472,938</u>	<u>2,748,164</u>	<u>1,640,744</u>	<u>6,287,054</u>	<u>5,113,682</u>
<u>Deferred inflows of resources</u>						
Property taxes	108,951	107,477	-	-	108,951	107,477
Pension	12,225	-	6,026	-	18,251	-
Total deferred inflows	<u>121,176</u>	<u>107,477</u>	<u>6,026</u>	<u>-</u>	<u>127,202</u>	<u>107,477</u>
<u>Net Position</u>						
Net investment in capital assets	7,052,055	7,205,557	1,589,568	1,962,922	8,641,623	9,168,479
Restricted	874,663	881,323	-	-	874,663	881,323
Unrestricted	798,662	590,170	780,533	557,157	1,579,195	1,147,327
Total net position	<u>\$ 8,725,380</u>	<u>\$ 8,677,050</u>	<u>\$ 2,370,101</u>	<u>\$ 2,520,079</u>	<u>\$ 11,095,481</u>	<u>\$ 11,197,129</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

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

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

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

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

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

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$10,804,635 to \$8,677,050 and business-type activities from \$2,812,535 to \$2,520,079.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$11,095,481. At year-end, net position was \$8,725,380 and \$2,370,101 for the governmental activities and the business-type activities, respectively.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 65.12% and 73.88% 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, 2015, were \$7,052,055 and \$1,589,568 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, \$874,663 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 \$798,662 may be used to meet the government's ongoing obligations to citizens and creditors.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The following table shows the changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,129,820	\$ 1,138,261	\$ 1,961,632	\$ 1,896,304	\$ 3,091,452	\$ 3,034,565
Operating grants and contributions	310,776	318,326	-	-	310,776	318,326
Capital grants and contributions	<u>150,469</u>	<u>127,461</u>	<u>-</u>	<u>-</u>	<u>150,469</u>	<u>127,461</u>
Total program revenues	<u>1,591,065</u>	<u>1,584,048</u>	<u>1,961,632</u>	<u>1,896,304</u>	<u>3,552,697</u>	<u>3,480,352</u>
General revenues:						
Property taxes	164,864	159,580	-	-	164,864	159,580
Income taxes	3,198,792	3,188,058	-	-	3,198,792	3,188,058
Unrestricted grants and entitlements	101,525	116,403	-	-	101,525	116,403
Investment earnings	14,542	15,823	-	-	14,542	15,823
Miscellaneous	<u>41,979</u>	<u>34,337</u>	<u>1,668</u>	<u>11,195</u>	<u>43,647</u>	<u>45,532</u>
Total general revenues	<u>3,521,702</u>	<u>3,514,201</u>	<u>1,668</u>	<u>11,195</u>	<u>3,523,370</u>	<u>3,525,396</u>
Total revenues	<u>5,112,767</u>	<u>5,098,249</u>	<u>1,963,300</u>	<u>1,907,499</u>	<u>7,076,067</u>	<u>7,005,748</u>
Expenses:						
General government	1,130,034	1,086,986	-	-	1,130,034	1,086,986
Security of persons and property	2,474,923	2,356,921	-	-	2,474,923	2,356,921
Transportation	1,213,367	1,063,801	-	-	1,213,367	1,063,801
Leisure time activity	219,777	222,683	-	-	219,777	222,683
Interest, fiscal & issuance costs	26,336	30,952	-	-	26,336	30,952
Water	-	-	984,029	985,276	984,029	985,276
Sewer	-	-	742,775	753,322	742,775	753,322
Refuse	<u>-</u>	<u>-</u>	<u>386,474</u>	<u>391,765</u>	<u>386,474</u>	<u>391,765</u>
Total expenses	<u>5,064,437</u>	<u>4,761,343</u>	<u>2,113,278</u>	<u>2,130,363</u>	<u>7,177,715</u>	<u>6,891,706</u>
Change in net position	48,330	336,906	(149,978)	(222,864)	(101,648)	114,042
Net position at beginning of year (restated)	<u>8,677,050</u>	N/A	<u>2,520,079</u>	N/A	<u>11,197,129</u>	N/A
Net position at end of year	<u>\$ 8,725,380</u>	<u>\$ 8,677,050</u>	<u>\$ 2,370,101</u>	<u>\$ 2,520,079</u>	<u>\$ 11,095,481</u>	<u>\$ 11,197,129</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$272,346 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$287,639.

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total 2015 program expenses under GASB 68	\$ 5,064,437	\$ 2,113,278
Pension expense under GASB 68	(250,029)	(37,610)
2015 contractually required contributions	<u>253,847</u>	<u>41,503</u>
Adjusted 2015 program expenses	5,068,255	2,117,171
Total 2014 program expenses under GASB 27	<u>4,761,343</u>	<u>2,130,363</u>
Increase (decrease) in program expenses not related to pension	<u>\$ 306,912</u>	<u>\$ (13,192)</u>

Governmental Activities

Governmental activities net position increased \$48,330 in 2015.

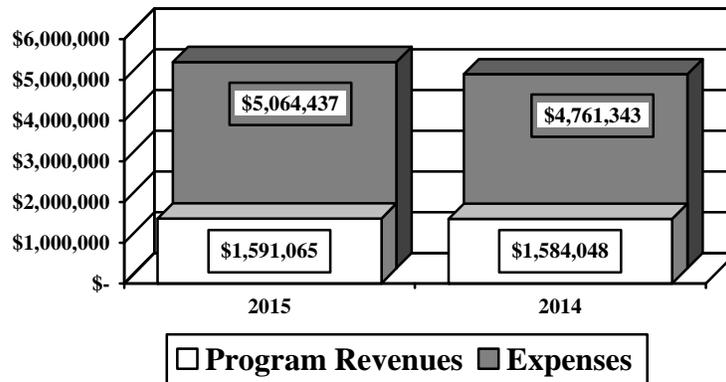
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,474,923 or 48.87% of the total expenses of the City. Security of persons and property expenses were partially funded by \$744,028 in direct charges to users of the services and \$5,722 in operating grants and contributions. General government expenses totaled \$1,130,034. General government expenses were partially funded by \$131,572 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$310,776 in operating grants and contributions and \$150,469 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$3,521,702 and amounted to 68.88% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,363,656. 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 \$101,525.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 compared to 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF BROOKVILLE, OHIO

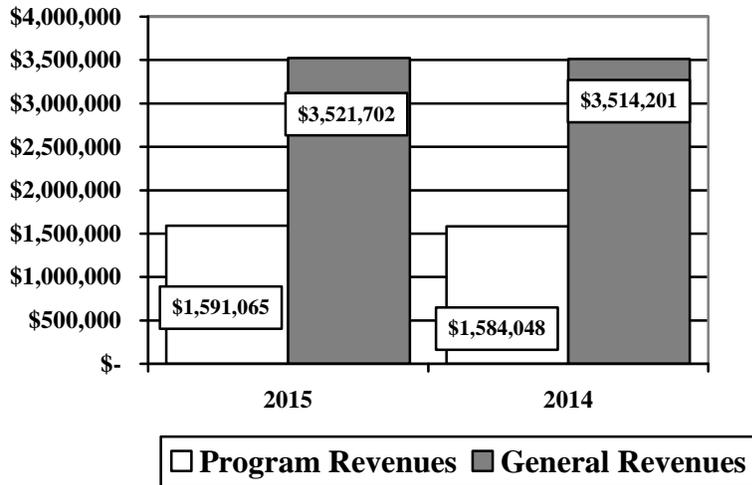
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,130,034	\$ 998,462	\$ 1,086,986	\$ 931,650
Security of persons and property	2,474,923	1,725,173	2,356,921	1,629,177
Transportation	1,213,367	533,813	1,063,801	387,157
Leisure time activity	219,777	189,588	222,683	198,359
Interest and fiscal charges	<u>26,336</u>	<u>26,336</u>	<u>30,952</u>	<u>30,952</u>
Total	<u>\$ 5,064,437</u>	<u>\$ 3,473,372</u>	<u>\$ 4,761,343</u>	<u>\$ 3,177,295</u>

The dependence upon general revenues for governmental activities is apparent, with 68.58% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2015.

Governmental Activities – General and Program Revenues



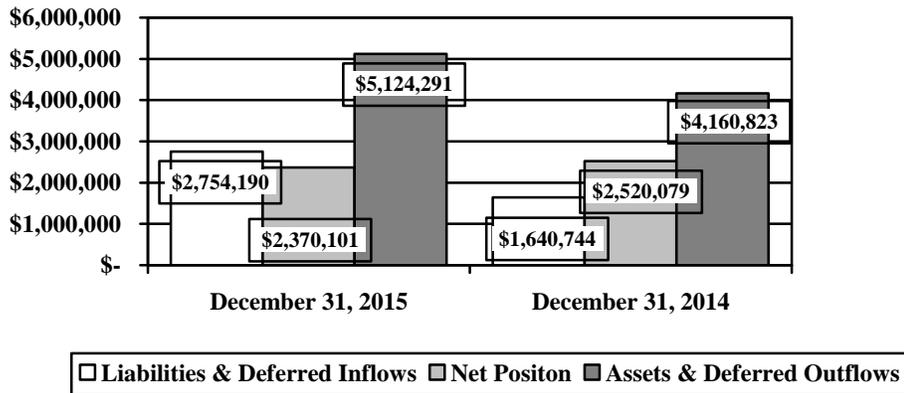
CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$1,961,632, general revenues of \$1,668 and expenses of \$2,113,278 for 2015. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows 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) reported a combined fund balance of \$3,541,733 which is \$257,998 above last year's total of \$3,283,735. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and non-major governmental funds.

	Fund Balances 12/31/2015	Fund Balances 12/31/2014	Increase (Decrease)
Major funds:			
General	\$ 2,232,981	\$ 1,975,669	\$ 257,312
Street construction maintenance and repair	277,063	197,438	79,625
Capital improvement	690,526	595,257	95,269
Other nonmajor governmental funds	341,163	515,371	(174,208)
Total	\$ 3,541,733	\$ 3,283,735	\$ 257,998

CITY OF BROOKVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

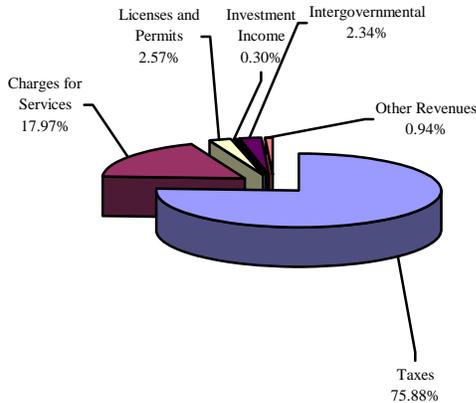
General Fund

The City's general fund balance increased \$257,312. The table that follows assists in illustrating the revenues of the general fund.

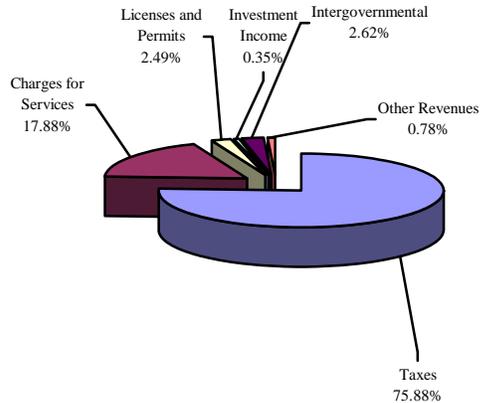
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,347,060	\$ 3,350,777	(0.11) %
Charges for services	792,496	789,686	0.36 %
Licenses, permits and fees	113,293	109,760	3.22 %
Investment income	13,443	15,548	(13.54) %
Intergovernmental	103,268	115,730	(10.77) %
Other	<u>41,572</u>	<u>34,337</u>	21.07 %
Total	<u>\$ 4,411,132</u>	<u>\$ 4,415,838</u>	(0.11) %

The City's largest revenue source in the general fund was tax revenue, which represents 75.88% of all general fund revenue. Tax revenues decreased 0.11% due to a slight decrease in income tax and real and other tax revenues. Revenues related to licenses, permits and fees increased 3.22% due to an increase in electric and heating permits and an increase in building permits. Investment income decreased 13.54% due to variations in interest rates. The 10.77% decrease in intergovernmental income is due a decrease in state shared tax revenues. The 21.07% increase in other revenue is due to an increase in rental income and donations during the year.

Revenues - 2015



Revenues - 2014



CITY OF BROOKVILLE, OHIO

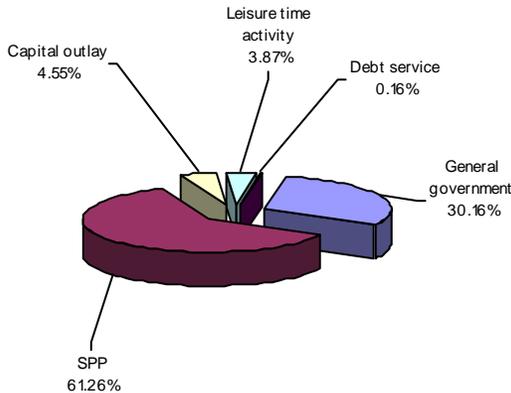
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

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

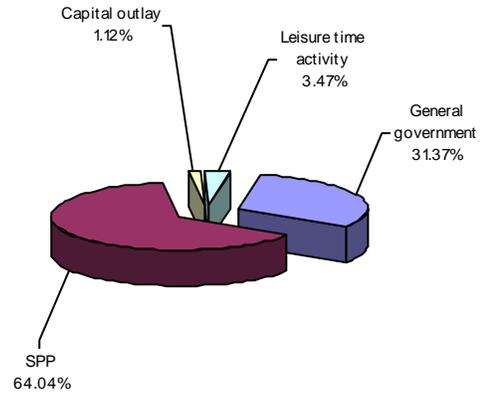
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,047,523	\$ 1,058,350	(1.02) %
Security of persons and property	2,128,265	2,160,184	(1.48) %
Leisure time activity	134,588	116,918	15.11 %
Capital outlay	158,234	37,915	317.34 %
Debt service	<u>5,480</u>	<u>-</u>	- %
 Total	 <u>\$ 3,474,090</u>	 <u>\$ 3,373,367</u>	 2.99 %

Expenditures increased by 2.99% during 2015. During the current year capital outlay expenditures increased. This increase was caused by the City entering into a new capital lease agreement and because during the year the City made more general fund capital asset purchases compared to the prior year.

Expenditures - 2015



Expenditures - 2014



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 \$110,043 higher than they were in the final budget and actual expenditures and other financing uses were \$303,895 less than the amount in the final budget. Original budgeted revenues and other financing sources of \$4,165,667 remained consistent in the final budget. Budgeted expenditures and other financing uses decreased \$78,000 from an original budget of \$4,524,834 to a final budget of \$4,446,834.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Street Construction Maintenance and Repair Fund

The street construction maintenance and repair fund had revenues and other financing sources of \$706,578 in 2015. The expenditures of the street construction maintenance and repair fund, totaled \$626,953 in 2015. The net increase in fund balance for the street construction maintenance and repair fund was \$79,625.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$461,778 in 2015. The expenditures of the capital improvement fund, totaled \$366,509 in 2015. The net increase in fund balance for the capital improvement fund was \$95,269.

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 2015, the City had \$11,566,187 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Of this total, \$7,825,025 was reported in governmental activities and \$3,741,162 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2015 balances compared to 2014.

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

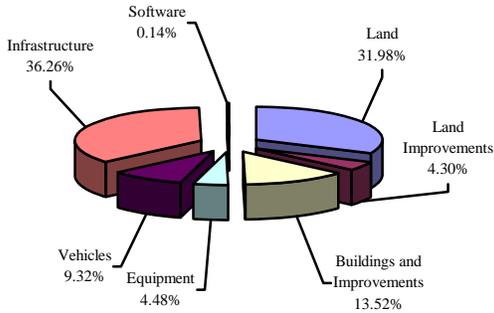
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,502,218	\$ 2,502,218	\$ 32,388	\$ 32,388	\$ 2,534,606	\$ 2,534,606
Land improvements	336,506	342,177	2,724,682	1,143,781	3,061,188	1,485,958
Buildings and improvements	1,057,901	1,113,748	135,550	141,473	1,193,451	1,255,221
Equipment	350,315	317,405	252,971	269,901	603,286	587,306
Software	11,085	16,857	-	-	11,085	16,857
Vehicles	729,417	700,699	165,633	185,471	895,050	886,170
Infrastructure	2,837,583	3,067,071	429,938	458,748	3,267,521	3,525,819
Construction in progress	-	-	-	610,202	-	610,202
Totals	\$ 7,825,025	\$ 8,060,175	\$ 3,741,162	\$ 2,841,964	\$ 11,566,187	\$ 10,902,139

CITY OF BROOKVILLE, OHIO

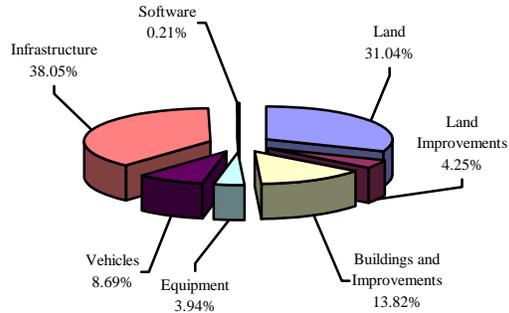
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014.

Capital Assets - Governmental Activities 2015



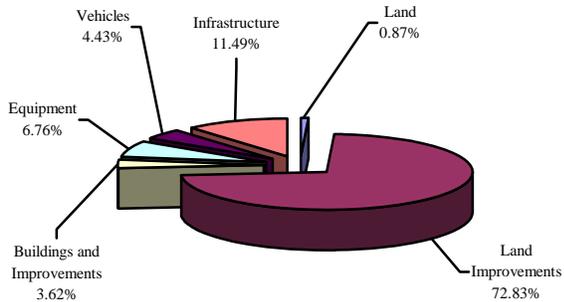
Capital Assets - Governmental Activities 2014



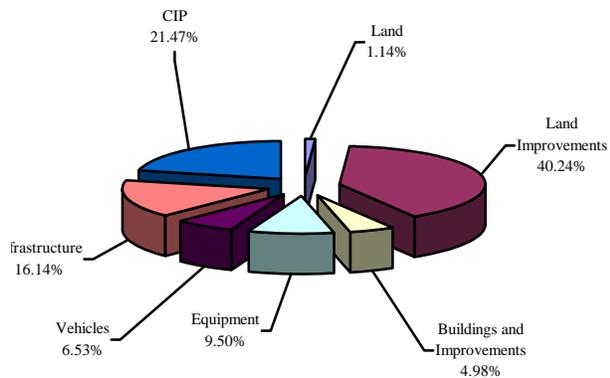
Infrastructure is the largest capital asset category for the City's governmental activities. Infrastructure includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 36.26% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2015 and 2014.

Capital Assets - Business - Type Activities 2015



Capital Assets - Business - Type Activities 2014



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 72.83% of the City's total business-type capital assets.

CITY OF BROOKVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2015 and 2014:

	Governmental Activities	
	2015	2014
Note payable	\$ 722,000	\$ 778,000
OPWC loan	6,889	8,612
Equipment lease obligation	-	68,006
Mortgage loan	50,000	-
Capital lease obligation	44,081	-
Total long-term obligations	\$ 822,970	\$ 854,618
	Business-type Activities	
	2015	2014
OPWC loans	\$ 2,032,856	\$ 706,641
Loan payable	-	23,773
Capital lease obligation	118,738	148,628
Total long-term obligations	\$ 2,151,594	\$ 879,042

See Note 12 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. The 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. The housing character clearly reflects the hometown charm. Recreational opportunities are endless in the Brookville region. The 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 it 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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

A 1.75% local income tax and successful efforts to secure state and local grants has enabled the City to provide excellent public service to its constituents and to maintain municipal infrastructure, while continually improving the overall appearance of the community. In 2015, income tax receipts exceeded \$3 million for the third consecutive year.

The City's tax base includes a good mix of industrial, commercial, medical, service, retail, government and education segments. Expansion best describes economic development within the City in 2015.

The City has two industrial parks, Mosier Industrial Park located in the northeast corner of the City is home to 17 businesses and NorthBrook Industrial Park located along Interstate 70 in the northwest corner of the City is home to 3 businesses. The NorthBrook Industrial Park has shovel ready sites available for new construction and expansion.

Businesses that expanded in 2015 include the BrookHaven Retirement Community. Several industrial/commercial businesses showed a slight increase in employment numbers. Two long term employers changed names and ownerships in 2015. Brookville National Bank, a community bank established in 1943, was acquired by LCNB National Bank. Boose Chevrolet, a well-known family owned business since 1940, was sold to Reichard Chevrolet.

The City received word in early 2015 that Parker Hannifin will be consolidating their operations in Preble County by early 2016, which will result in a loss of 140 employees. The City also received word in the fall of 2015 that 3M is also consolidating their business which will result in a loss of 75 employees by January 31, 2016 in the City of Brookville. DG Rigging closed their doors in December 2015, which resulted in a loss of 8 employees.

The City continues to see employment growth despite the uncertainty still surrounding the economy; the City continues to carefully monitor two primary sources of revenue, local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue streams, City Council continues to pursue economic development and job creation, in order to maintain the community's reputation for high public safety standards and adoption of a budget designed to promote long-term fiscal stability. A strong and sound economy is vital to maintaining and improving the quality of life in the City.

The City of Brookville placed a one-fourth of one percent (0.25%) income tax rate increase on the May 5, 2015 Primary ballot. The issue passed and the new 2% income tax rate will go into effect January 1, 2016. This increase is to provide funds for general municipal operations, maintenance, new equipment, and extension and enlargement of municipal services and facilities.

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, Director of Finance, 301 Sycamore Street, Brookville, Ohio 45309.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,669,966	\$ 647,198	\$ 3,317,164
Receivables:			
Income taxes	624,275	-	624,275
Real and other taxes	110,560	-	110,560
Accounts	111,027	632,769	743,796
Accrued interest	3,840	-	3,840
Special assessments	4,771	443	5,214
Due from other governments	199,885	-	199,885
Prepayments	50,277	15,838	66,115
Materials and supplies inventory	25,503	26,426	51,929
Assets held for resale	391,365	-	391,365
Capital assets:			
Land	2,502,218	32,388	2,534,606
Depreciable capital assets, net	5,322,807	3,708,774	9,031,581
Total capital assets, net	<u>7,825,025</u>	<u>3,741,162</u>	<u>11,566,187</u>
Total assets	<u>12,016,494</u>	<u>5,063,836</u>	<u>17,080,330</u>
Deferred outflows of resources:			
Pension Ohio police and fire	250,111	-	250,111
Pension OPERS	118,841	60,455	179,296
Total deferred outflows of resources	<u>368,952</u>	<u>60,455</u>	<u>429,407</u>
Liabilities:			
Accounts payable	38,806	215,885	254,691
Accrued wages and benefits payable	31,678	8,342	40,020
Due to other governments	13,787	2,362	16,149
Pension and postemployment benefits obligation payable	10,518	2,214	12,732
Long-term liabilities:			
Due within one year	124,167	143,109	267,276
Due in more than one year:			
Net pension liability	2,480,494	342,992	2,823,486
Other amounts due in more than one year	839,440	2,033,260	2,872,700
Total liabilities	<u>3,538,890</u>	<u>2,748,164</u>	<u>6,287,054</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	108,951	-	108,951
Pension Ohio police and fire	380	-	380
Pension OPERS	11,845	6,026	17,871
Total deferred inflows of resources	<u>121,176</u>	<u>6,026</u>	<u>127,202</u>
Net position:			
Net investment in capital assets	7,052,055	1,589,568	8,641,623
Restricted for:			
Capital projects	690,550	-	690,550
Other purposes	184,113	-	184,113
Unrestricted	798,662	780,533	1,579,195
Total net position	<u>\$ 8,725,380</u>	<u>\$ 2,370,101</u>	<u>\$ 11,095,481</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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.	\$ 1,130,034	\$ 131,572	\$ -	\$ -
Security of persons and property . . .	2,474,923	744,028	5,722	-
Transportation.	1,213,367	224,031	305,054	150,469
Leisure time activity.	219,777	30,189	-	-
Interest and fiscal charges.	26,336	-	-	-
Total governmental activities	<u>5,064,437</u>	<u>1,129,820</u>	<u>310,776</u>	<u>150,469</u>
Business-type activities:				
Water	984,029	1,008,992	-	-
Sewer	742,775	552,636	-	-
Refuse	386,474	400,004	-	-
Total business-type activities	<u>2,113,278</u>	<u>1,961,632</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,177,715</u>	<u>\$ 3,091,452</u>	<u>\$ 310,776</u>	<u>\$ 150,469</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 (restated). . .

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
\$ (998,462)	\$ -	\$ (998,462)
(1,725,173)	-	(1,725,173)
(533,813)	-	(533,813)
(189,588)	-	(189,588)
(26,336)	-	(26,336)
<u>(3,473,372)</u>	<u>-</u>	<u>(3,473,372)</u>
-	24,963	24,963
-	(190,139)	(190,139)
-	13,530	13,530
<u>-</u>	<u>(151,646)</u>	<u>(151,646)</u>
<u>(3,473,372)</u>	<u>(151,646)</u>	<u>(3,625,018)</u>
164,864	-	164,864
3,198,792	-	3,198,792
101,525	-	101,525
14,542	-	14,542
41,979	1,668	43,647
<u>3,521,702</u>	<u>1,668</u>	<u>3,523,370</u>
48,330	(149,978)	(101,648)
<u>8,677,050</u>	<u>2,520,079</u>	<u>11,197,129</u>
<u>\$ 8,725,380</u>	<u>\$ 2,370,101</u>	<u>\$ 11,095,481</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Street Construction Maintenance & Repair	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 1,794,673	\$ 240,680	\$ 324,457	\$ 310,156	\$ 2,669,966
Receivables:					
Income taxes	624,275	-	-	-	624,275
Real and other taxes	110,560	-	-	-	110,560
Accounts	100,993	323	-	9,711	111,027
Accrued interest	3,838	2	-	-	3,840
Special assessments	-	4,747	24	-	4,771
Due from other governments	47,451	152,434	-	-	199,885
Prepayments	41,016	9,261	-	-	50,277
Materials and supplies inventory	11,148	14,355	-	-	25,503
Assets held for resale	4,000	-	366,069	21,296	391,365
Total assets	<u>\$ 2,737,954</u>	<u>\$ 421,802</u>	<u>\$ 690,550</u>	<u>\$ 341,163</u>	<u>\$ 4,191,469</u>
Liabilities:					
Accounts payable	\$ 34,370	\$ 4,436	\$ -	\$ -	\$ 38,806
Accrued wages and benefits payable	26,678	5,000	-	-	31,678
Due to other governments	11,987	1,800	-	-	13,787
Pension and postemployment benefits obligation payable	9,050	1,468	-	-	10,518
Total liabilities	<u>82,085</u>	<u>12,704</u>	<u>-</u>	<u>-</u>	<u>94,789</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year . . .	108,951	-	-	-	108,951
Delinquent property tax revenue not available . . .	1,609	-	-	-	1,609
Accrued interest not available	3,667	-	-	-	3,667
Special assessments revenue not available	-	4,747	24	-	4,771
Miscellaneous revenue not available	10,968	20	-	-	10,988
Income tax revenue not available	259,632	-	-	-	259,632
Other nonexchange transactions not available . . .	38,061	127,268	-	-	165,329
Total deferred inflows of resources	<u>422,888</u>	<u>132,035</u>	<u>24</u>	<u>-</u>	<u>554,947</u>
Total liabilities and deferred inflows of resources.	<u>504,973</u>	<u>144,739</u>	<u>24</u>	<u>-</u>	<u>649,736</u>
Fund balances:					
Nonspendable	52,164	23,616	-	-	75,780
Restricted	-	253,447	690,526	57,389	1,001,362
Committed	-	-	-	283,774	283,774
Assigned	62,267	-	-	-	62,267
Unassigned	2,118,550	-	-	-	2,118,550
Total fund balances	<u>2,232,981</u>	<u>277,063</u>	<u>690,526</u>	<u>341,163</u>	<u>3,541,733</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,737,954</u>	<u>\$ 421,802</u>	<u>\$ 690,550</u>	<u>\$ 341,163</u>	<u>\$ 4,191,469</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	3,541,733
<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.		7,825,025
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 259,632	
Real and other taxes receivable	1,609	
Accounts receivable	10,988	
Intergovernmental receivable	165,329	
Special assessments receivable	4,771	
Investment income receivable	3,667	
Total	445,996	445,996
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	368,952	
Deferred inflows of resources	(12,225)	
Net pension liability	(2,480,494)	
Total	(2,123,767)	(2,123,767)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(140,637)	
Capital lease payable	(44,081)	
Note payable	(722,000)	
Loan payable	(56,889)	
Total	(963,607)	(963,607)
Net position of governmental activities	\$	8,725,380

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Street Construction Maintenance & Repair	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Municipal income taxes	\$ 3,181,753	\$ -	\$ -	\$ -	\$ 3,181,753
Real and other taxes.	165,307	-	-	-	165,307
Charges for services.	792,496	47,356	-	167,771	1,007,623
Licenses, permits and fees.	113,293	-	-	-	113,293
Intergovernmental.	103,268	305,997	155,914	-	565,179
Special assessments	-	2,098	2,050	-	4,148
Investment income.	13,443	72	-	-	13,515
Rental income	33,888	-	-	-	33,888
Donations	7,684	-	-	2,850	10,534
Other	-	-	-	5,722	5,722
Total revenues	<u>4,411,132</u>	<u>355,523</u>	<u>157,964</u>	<u>176,343</u>	<u>5,100,962</u>
Expenditures:					
Current:					
General government	1,047,523	-	-	-	1,047,523
Security of persons and property	2,128,265	-	-	3,879	2,132,144
Transportation	-	605,746	-	-	605,746
Leisure time activity	134,588	-	-	-	134,588
Capital outlay	158,234	-	366,509	349,065	873,808
Debt service:					
Principal retirement.	4,229	20,999	-	104,730	129,958
Interest and fiscal charges	1,251	208	-	24,877	26,336
Total expenditures	<u>3,474,090</u>	<u>626,953</u>	<u>366,509</u>	<u>482,551</u>	<u>4,950,103</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>937,042</u>	<u>(271,430)</u>	<u>(208,545)</u>	<u>(306,208)</u>	<u>150,859</u>
Other financing sources (uses):					
Sale of capital assets.	3,960	1,055	3,814	-	8,829
Loan proceeds	-	-	-	50,000	50,000
Capital lease transaction.	48,310	-	-	-	48,310
Transfers in	-	350,000	300,000	82,000	732,000
Transfers (out).	(732,000)	-	-	-	(732,000)
Total other financing sources (uses)	<u>(679,730)</u>	<u>351,055</u>	<u>303,814</u>	<u>132,000</u>	<u>107,139</u>
Net change in fund balances	257,312	79,625	95,269	(174,208)	257,998
Fund balances at beginning of year	<u>1,975,669</u>	<u>197,438</u>	<u>595,257</u>	<u>515,371</u>	<u>3,283,735</u>
Fund balances at end of year	<u>\$ 2,232,981</u>	<u>\$ 277,063</u>	<u>\$ 690,526</u>	<u>\$ 341,163</u>	<u>\$ 3,541,733</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2015

Net change in fund balances - total governmental funds	\$	257,998
<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	\$ 399,205	
Current year depreciation	(623,602)	
Total	(224,397)	(224,397)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(10,753)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	17,039	
Real and other taxes	(443)	
Charges for services	36	
Licenses, permits and fees	(320)	
Accrued interest	1	
Intergovernmental revenues	(2,758)	
Special assessments	(14,485)	
Investment income	1,098	
Rental income	700	
Total	868	868
Proceeds of loans 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.		
		(98,310)
Repayment of note, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		129,958
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		253,847
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(250,029)
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.		
		(10,852)
Change in net position of governmental activities	\$	48,330

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 3,044,778	\$ 3,044,778	\$ 3,123,134	\$ 78,356
Real and other taxes	160,221	160,221	164,344	4,123
Charges for services	729,814	729,814	748,596	18,782
Licenses, permits and fees	75,383	75,383	77,323	1,940
Intergovernmental	101,678	101,678	104,295	2,617
Investment income	16,402	16,402	19,665	3,263
Rental income	33,038	33,038	33,888	850
Donations	492	492	505	13
Total revenues	<u>4,161,806</u>	<u>4,161,806</u>	<u>4,271,750</u>	<u>109,944</u>
Expenditures:				
Current:				
General government	1,294,894	1,214,894	1,077,526	137,368
Security of persons and property	2,273,940	2,273,940	2,149,489	124,451
Capital outlay	146,000	146,000	113,924	32,076
Total expenditures	<u>3,714,834</u>	<u>3,634,834</u>	<u>3,340,939</u>	<u>293,895</u>
Excess of revenues over expenditures	<u>446,972</u>	<u>526,972</u>	<u>930,811</u>	<u>403,839</u>
Other financing sources (uses):				
Sale of capital assets	3,861	3,861	3,960	99
Transfers (out)	(810,000)	(812,000)	(802,000)	10,000
Total other financing sources (uses)	<u>(806,139)</u>	<u>(808,139)</u>	<u>(798,040)</u>	<u>10,099</u>
Net change in fund balances	(359,167)	(281,167)	132,771	413,938
Fund balance at beginning of year	1,565,100	1,565,100	1,565,100	-
Prior year encumbrances appropriated	34,834	34,834	34,834	-
Fund balance at end of year	<u>\$ 1,240,767</u>	<u>\$ 1,318,767</u>	<u>\$ 1,732,705</u>	<u>\$ 413,938</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services.	\$ 49,780	\$ 47,437	\$ 47,223	\$ (214)
Intergovernmental.	321,863	306,722	305,332	(1,390)
Special assessments.	2,212	2,108	2,098	(10)
Investment income.	84	80	80	-
Total revenues	<u>373,939</u>	<u>356,347</u>	<u>354,733</u>	<u>(1,614)</u>
Expenditures:				
Current:				
Transportation	847,543	766,543	627,729	138,814
Debt service:				
Principal retirement.	1,800	1,800	1,723	77
Total expenditures	<u>849,343</u>	<u>768,343</u>	<u>629,452</u>	<u>138,891</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(475,404)</u>	<u>(411,996)</u>	<u>(274,719)</u>	<u>137,277</u>
Other financing sources:				
Sale of capital assets.	1,112	1,060	1,055	(5)
Transfers in	368,949	351,593	350,000	(1,593)
Total other financing sources	<u>370,061</u>	<u>352,653</u>	<u>351,055</u>	<u>(1,598)</u>
Net change in fund balances	(105,343)	(59,343)	76,336	135,679
Fund balance at beginning of year	160,120	160,120	160,120	-
Prior year encumbrances appropriated	1,343	1,343	1,343	-
Fund balance at end of year	<u>\$ 56,120</u>	<u>\$ 102,120</u>	<u>\$ 237,799</u>	<u>\$ 135,679</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 195,008	\$ 308,568	\$ 143,622	\$ 647,198
Receivables:				
Accounts	324,106	179,680	128,983	632,769
Special assessments.	200	102	141	443
Prepayments	4,437	6,592	4,809	15,838
Materials and supplies inventory.	12,974	1,454	11,998	26,426
Total current assets	<u>536,725</u>	<u>496,396</u>	<u>289,553</u>	<u>1,322,674</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress.	-	32,388	-	32,388
Depreciable capital assets, net.	198,767	3,381,094	128,913	3,708,774
Total capital assets, net.	<u>198,767</u>	<u>3,413,482</u>	<u>128,913</u>	<u>3,741,162</u>
Total noncurrent assets	<u>198,767</u>	<u>3,413,482</u>	<u>128,913</u>	<u>3,741,162</u>
Total assets	<u>735,492</u>	<u>3,909,878</u>	<u>418,466</u>	<u>5,063,836</u>
Deferred outflows of resources:				
Pension OPERS	17,816	20,444	22,195	60,455
Total deferred outflows of resources	<u>17,816</u>	<u>20,444</u>	<u>22,195</u>	<u>60,455</u>
Liabilities:				
Current liabilities:				
Accounts payable.	192,411	9,788	13,686	215,885
Accrued wages and benefits payable	2,466	2,820	3,056	8,342
Compensated absences payable - current.	6,405	7,315	7,923	21,643
Due to other governments	696	799	867	2,362
Pension and postemployment benefits obligation payable	653	749	812	2,214
OPWC loans payable	-	90,846	-	90,846
Capital lease obligations payable	-	-	30,620	30,620
Total current liabilities	<u>202,631</u>	<u>112,317</u>	<u>56,964</u>	<u>371,912</u>
Long-term liabilities:				
Compensated absences payable	1,044	1,044	1,044	3,132
OPWC loans payable	-	1,942,010	-	1,942,010
Capital lease obligations payable	-	-	88,118	88,118
Net pension liability.	101,079	115,991	125,922	342,992
Total long-term liabilities	<u>102,123</u>	<u>2,059,045</u>	<u>215,084</u>	<u>2,376,252</u>
Total liabilities	<u>304,754</u>	<u>2,171,362</u>	<u>272,048</u>	<u>2,748,164</u>
Deferred inflows of resources:				
Pension OPERS	1,776	2,038	2,212	6,026
Total deferred inflows of resources	<u>1,776</u>	<u>2,038</u>	<u>2,212</u>	<u>6,026</u>
Net position:				
Net investment in capital assets.	198,767	1,380,626	10,175	1,589,568
Unrestricted	248,011	376,296	156,226	780,533
Total net position.	<u>\$ 446,778</u>	<u>\$ 1,756,922</u>	<u>\$ 166,401</u>	<u>\$ 2,370,101</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, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 1,000,742	\$ 544,303	\$ 400,004	\$ 1,945,049
Tap-in fees.	8,250	8,333	-	16,583
Other operating revenues	834	834	-	1,668
Total operating revenues.	<u>1,009,826</u>	<u>553,470</u>	<u>400,004</u>	<u>1,963,300</u>
Operating expenses:				
Personal services	141,548	162,670	176,776	480,994
Contract services.	797,581	134,191	156,428	1,088,200
Materials and supplies.	4,804	10,013	29,966	44,783
Depreciation.	40,096	435,683	20,067	495,846
Total operating expenses.	<u>984,029</u>	<u>742,557</u>	<u>383,237</u>	<u>2,109,823</u>
Operating income (loss)	<u>25,797</u>	<u>(189,087)</u>	<u>16,767</u>	<u>(146,523)</u>
Nonoperating expenses:				
Interest and fiscal charges	-	(218)	(3,237)	(3,455)
Total nonoperating expenses.	<u>-</u>	<u>(218)</u>	<u>(3,237)</u>	<u>(3,455)</u>
Change in net position	25,797	(189,305)	13,530	(149,978)
Net position at beginning of year (restated). . .	<u>420,981</u>	<u>1,946,227</u>	<u>152,871</u>	<u>2,520,079</u>
Net position at end of year.	<u>\$ 446,778</u>	<u>\$ 1,756,922</u>	<u>\$ 166,401</u>	<u>\$ 2,370,101</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, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 979,437	\$ 530,164	\$ 396,705	\$ 1,906,306
Cash received from tap-in fees	8,250	8,333	-	16,583
Cash received from other operations	834	834	-	1,668
Cash payments for personal services	(145,379)	(167,181)	(181,748)	(494,308)
Cash payments for contract services	(791,401)	(183,842)	(160,050)	(1,135,293)
Cash payments for materials and supplies	(4,343)	(10,044)	(28,401)	(42,788)
	<u>47,398</u>	<u>178,264</u>	<u>26,506</u>	<u>252,168</u>
Net cash provided by operating activities				
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,126)	(1,390,918)	-	(1,395,044)
Principal retirement on capital lease	-	-	(29,890)	(29,890)
Principal retirement on loans	-	(66,466)	-	(66,466)
Interest and fiscal charges	-	(218)	(3,237)	(3,455)
Proceeds of loans	-	1,368,908	-	1,368,908
	<u>(4,126)</u>	<u>(88,694)</u>	<u>(33,127)</u>	<u>(125,947)</u>
Net cash used in capital and related financing activities				
Net increase (decrease) in cash and cash equivalents	43,272	89,570	(6,621)	126,221
Cash and cash equivalents at beginning of year . . .	151,736	218,998	150,243	520,977
Cash and cash equivalents at end of year	<u>\$ 195,008</u>	<u>\$ 308,568</u>	<u>\$ 143,622</u>	<u>\$ 647,198</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 25,797	\$ (189,087)	\$ 16,767	\$ (146,523)
Adjustments:				
Depreciation	40,096	435,683	20,067	495,846
Changes in assets and liabilities:				
(Increase) in accounts receivable	(21,105)	(14,037)	(3,158)	(38,300)
Decrease (increase) in materials and supplies inventory	572	34	(1,701)	(1,095)
Decrease (increase) in prepayments	(596)	79	(455)	(972)
(Increase) in special assessment receivable	(200)	(102)	(141)	(443)
Decrease in intergovernmental receivable	-	120,427	-	120,427
(Increase) in deferred outflows - pension - OPERS	(5,206)	(5,974)	(6,486)	(17,666)
Increase in accrued wages and benefits	140	156	167	463
Increase in pension obligation payable	16	18	18	52
Increase (decrease) in accounts payable	6,977	(7,854)	498	(379)
Decrease in contracts payable	-	(162,002)	-	(162,002)
Decrease in compensated absences payable	(2,255)	(2,704)	(3,004)	(7,963)
Decrease in intergovernmental payable	(897)	(1,031)	(1,122)	(3,050)
Increase in net pension liability	2,283	2,620	2,844	7,747
Increase in deferred inflows - pension - OPERS	1,776	2,038	2,212	6,026
	<u>47,398</u>	<u>178,264</u>	<u>26,506</u>	<u>252,168</u>
Net cash provided by operating activities	<u>\$ 47,398</u>	<u>\$ 178,264</u>	<u>\$ 26,506</u>	<u>\$ 252,168</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services and sales. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

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

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

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) the City's contributions to the pension systems subsequent to the measurement date and (2) differences between projected and actual investment earnings on pension plan assets. These deferred inflows of resources are only reported on the government-wide statement of net position.

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 2015. 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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 2015, 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 2015. 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, 2015.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2015 amounted to \$13,443, which included \$6,140 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

O. Net Position

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

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

P. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2015 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 2015.

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.

During 2015, the City purchased additional land and a house for the purpose of revitalization. The City's intent is to sell the land and house for a profit. These transactions are conducted through the City's land reutilization fund (a nonmajor governmental fund).

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

S. Pensions

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

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 10,804,635
Deferred outflows - payments subsequent to measurement date	229,557
Net pension liability	<u>(2,357,142)</u>
Restated net position at January 1, 2015	<u>\$ 8,677,050</u>

	<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>
Net position as previously reported	\$ 2,812,535	\$ 507,167	\$ 2,045,128	\$ 260,240
Deferred outflows - payments subsequent to measurement date	42,789	12,610	14,470	15,709
Net pension liability	<u>(335,245)</u>	<u>(98,796)</u>	<u>(113,371)</u>	<u>(123,078)</u>
Restated net position at January 1, 2015	<u>\$ 2,520,079</u>	<u>\$ 420,981</u>	<u>\$ 1,946,227</u>	<u>\$ 152,871</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2), above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool STAR Ohio;
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, 2015

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, 2015, the carrying amount of all City deposits was \$1,092,565. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$291,798 of the City’s bank balance of \$1,245,115 was exposed to custodial risk as discussed below, while \$953,317 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, 2015, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 311,038	\$ 311,038	\$ -	\$ -	\$ -	\$ -
U.S. Government money market	24,770	24,770	-	-	-	-
Negotiable CD's	1,888,591	199,933	450,271	548,580	99,553	590,254
Total	<u>\$ 2,224,399</u>	<u>\$ 535,741</u>	<u>\$ 450,271</u>	<u>\$ 548,580</u>	<u>\$ 99,553</u>	<u>\$ 590,254</u>

The weighted average maturity of investments is 1.33 years.

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

Credit Risk: STAR Ohio and the U.S. Government money market carry a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The 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, 2015

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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 311,038	13.99
U.S. Government money market	24,770	1.11
Negotiable CD's	1,888,591	84.90
Total	<u>\$ 2,224,399</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,092,565
Investments	2,224,399
Cash on hand	<u>200</u>
Total	<u>\$ 3,317,164</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,669,966
Business-type activities	<u>647,198</u>
Total	<u>\$ 3,317,164</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:

Street construction, maintenance and repair	\$ 350,000
Capital improvement	300,000
Nonmajor governmental funds	<u>82,000</u>
Total transfers	<u><u>\$ 732,000</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Brookville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 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 2015 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.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2015 was 1.3 mils per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

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

NOTE 7 - LOCAL INCOME TAX

The 1.75 percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities as long as the City they work in has an income tax that is equal or greater than the City's 1.75 percent. If a resident works somewhere, where the tax is less than 1.75 percent or there is no income tax, they will have to pay the difference. Employers within the city are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2015. Income tax revenue for 2015 was \$3,181,753 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, 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, 2015.

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

Governmental activities:

Income taxes	\$	624,275
Real and other taxes		110,560
Accounts		111,027
Accrued interest		3,840
Special assessments		4,771
Due from other governments		199,885

Business-type activities:

Accounts		632,769
Special assessments		443

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2015, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/15</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	1,737,996	48,185	-	1,786,181
Buildings and improvements	2,148,927	-	-	2,148,927
Equipment	917,261	104,385	-	1,021,646
Software	28,863	-	-	28,863
Vehicles	2,263,550	227,797	(42,222)	2,449,125
Infrastructure	<u>4,957,111</u>	<u>18,838</u>	<u>-</u>	<u>4,975,949</u>
Total capital assets, being depreciated	<u>12,053,708</u>	<u>399,205</u>	<u>(42,222)</u>	<u>12,410,691</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,395,819)	(53,856)	-	(1,449,675)
Buildings and improvements	(1,035,179)	(55,847)	-	(1,091,026)
Equipment	(599,856)	(71,475)	-	(671,331)
Software	(12,006)	(5,772)	-	(17,778)
Vehicles	(1,562,851)	(188,326)	31,469	(1,719,708)
Infrastructure	<u>(1,890,040)</u>	<u>(248,326)</u>	<u>-</u>	<u>(2,138,366)</u>
Total accumulated depreciation	<u>(6,495,751)</u>	<u>(623,602)</u>	<u>31,469</u>	<u>(7,087,884)</u>
Total capital assets, being depreciated, net	<u>5,557,957</u>	<u>(224,397)</u>	<u>(10,753)</u>	<u>5,322,807</u>
Governmental activities capital assets, net	<u>\$ 8,060,175</u>	<u>\$ (224,397)</u>	<u>\$ (10,753)</u>	<u>\$ 7,825,025</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 58,290
Security of persons and property	166,056
Transportation	319,633
Leisure time activity	<u>79,623</u>
Total depreciation expense - governmental activities	<u>\$ 623,602</u>

A. Business-type activities capital asset activity for the year ended December 31, 2015 was as follows:

<u>Business-type activities:</u>	<u>Balance</u> 12/31/14	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/15
<i>Capital assets, not being depreciated:</i>				
Land	\$ 32,388	\$ -	\$ -	\$ 32,388
Construction in progress	<u>610,202</u>	<u>1,350,167</u>	<u>(1,960,369)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>642,590</u>	<u>1,350,167</u>	<u>(1,960,369)</u>	<u>32,388</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,805,192	1,966,713	-	10,771,905
Buildings and improvements	352,271	-	-	352,271
Equipment	398,784	20,195	-	418,979
Vehicles	220,590	8,252	-	228,842
Infrastructure	<u>772,881</u>	<u>10,086</u>	<u>-</u>	<u>782,967</u>
Total capital assets, being depreciated	<u>10,549,718</u>	<u>2,005,246</u>	<u>-</u>	<u>12,554,964</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(7,661,411)	(385,812)	-	(8,047,223)
Buildings and improvements	(210,798)	(5,923)	-	(216,721)
Equipment	(128,883)	(37,125)	-	(166,008)
Vehicles	(35,119)	(28,090)	-	(63,209)
Infrastructure	<u>(314,133)</u>	<u>(38,896)</u>	<u>-</u>	<u>(353,029)</u>
Total accumulated depreciation	<u>(8,350,344)</u>	<u>(495,846)</u>	<u>-</u>	<u>(8,846,190)</u>
Total capital assets, being depreciated, net	<u>2,199,374</u>	<u>1,509,400</u>	<u>-</u>	<u>3,708,774</u>
Business-type activities capital assets, net	<u>\$ 2,841,964</u>	<u>\$ 2,859,567</u>	<u>\$(1,960,369)</u>	<u>\$ 3,741,162</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 40,096
Sewer	435,683
Refuse	<u>20,067</u>
Total depreciation expense - business-type activities	<u><u>\$ 495,846</u></u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded on the statement of net position to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund. Upon termination of City service, fully vested employees are entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 2015, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$54,486 and vested benefits for sick leave, totaled \$86,151. For proprietary fund types, vested benefits for vacation leave totaled \$21,643 and vested benefits for sick leave totaled \$3,132 at December 31, 2015. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

- A. During the current year, the City entered into a capital lease agreement for new copiers. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$48,310. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$4,831, leaving a current book value of \$43,479. A corresponding liability was recorded in the government-wide financial statements. Principal payments for the capital lease in 2015 totaled \$4,229 paid by the general fund.

- B. In a prior year, the City entered into a capital lease agreement for a new backhoe. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$75,157. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$33,821, leaving a current book value of \$41,336. A corresponding liability was recorded in the government-wide financial statements. Principal payments for the backhoe in 2015 totaled \$19,276 paid by the street construction, maintenance and repair fund. During 2015, this capital lease agreement was paid in full.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

- C. In a prior year, the City entered into a capital lease agreement for an ambulance. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of vehicles have been capitalized in the amount of \$189,999. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$66,500, leaving a current book value of \$123,499. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2015 totaled \$48,730 and were made from the fire capital improvement fund (a nonmajor governmental fund). During 2015, this capital lease agreement was paid in full.

- D. During a prior year, the City entered into a capital lease agreement for a refuse truck. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of vehicles have been capitalized in the amount of \$156,479. This amount represents the present value of the minimum lease payments at the time of acquisition of \$155,884 and additional truck accessories of \$595. Accumulated depreciation as of December 31, 2015 was \$29,340, leaving a current book value of \$127,139. A corresponding liability was recorded in the refuse fund. Principal payments in 2015 totaled \$29,890 and were made from the refuse fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2016	\$ 10,960	\$ 33,217
2017	10,960	33,217
2018	10,960	33,217
2019	10,960	24,913
2020	<u>5,480</u>	<u>-</u>
Total future minimum lease payments	49,320	124,564
Less: amount representing interest	<u>(5,239)</u>	<u>(5,826)</u>
Present value of net minimum lease payments	<u>\$ 44,081</u>	<u>\$ 118,738</u>

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS

- A. During 2015, the following changes occurred in governmental activities long-term obligations. The governmental long-term obligations have been restated as described in Note 3.

Governmental activities:	Restated Balance <u>12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/15</u>	Amounts Due in <u>One Year</u>
Note payable	\$ 778,000	\$ -	\$ (56,000)	\$ 722,000	\$ 59,000
OPWC loan payable	8,612	-	(1,723)	6,889	1,722
Mortgage loan payable	-	50,000	-	50,000	-
Equipment/vehicle lease obligation	68,006	-	(68,006)	-	-
Capital lease obligation	-	48,310	(4,229)	44,081	8,959
Net pension liability	2,357,142	123,352	-	2,480,494	-
Compensated absences	<u>129,785</u>	<u>72,438</u>	<u>(61,586)</u>	<u>140,637</u>	<u>54,486</u>
Total governmental activities long-term obligations	<u>\$ 3,341,545</u>	<u>\$ 294,100</u>	<u>\$ (191,544)</u>	<u>\$ 3,444,101</u>	<u>\$ 124,167</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.

Capital lease obligation: See Note 11 for detail.

Net pension liability: See Note 14 for detail.

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

OPWC loan payable: The City entered into a debt financing arrangement through the Ohio Public Works Commission (OPWC) to fund improvements for the West Westbrook Road improvement project. The initial loan amount was for \$17,227, with semi-annual payments in January and July. Payments during 2015 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.

Mortgage loan payable: In 2015, the City signed an open-end mortgage note for the purpose of revitalizing a purchased house and land. Once revitalized, the house and land is expected to be sold. This loan does not bear interest and is to be repaid within two years or when the corresponding assets are transferred to the buyer, whichever comes first. The associated assets have not been capitalized, rather recorded as assets held for resale.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	OPWC Loan	Note Payable			Mortgage Loan Payable
	Principal	Principal	Interest	Total	Principal
2016	\$ 1,722	\$ 59,000	\$ 31,331	\$ 90,331	\$ -
2017	1,723	61,000	28,678	89,678	50,000
2018	1,723	64,000	25,943	89,943	-
2019	1,721	67,000	23,066	90,066	-
2020	-	70,000	20,059	90,059	-
2021 - 2025	-	401,000	51,146	452,146	-
Total	\$ 6,889	\$ 722,000	\$ 180,223	\$ 902,223	\$ 50,000

B. During 2015, the following changes occurred in the City's business-type long-term liabilities. The business-type obligations have been restated as described in Note 3.

Business-type activities:	Interest	Restated	Additions	Reductions	Balance	Amounts
	Rate	Balance				
		12/31/14			12/31/15	One Year
OPWC loans						
Wastewater treatment plant - CD007	0.00%	\$ 149,430	\$ -	\$ (42,693)	\$ 106,737	\$ 42,693
Wastewater treatment plant - CD25Q	0.00%	557,211	1,368,908	-	1,926,119	48,153
Total OPWC loans		706,641	1,368,908	(42,693)	2,032,856	90,846
Other long-term obligations						
Loan payable	2.85%	23,773	-	(23,773)	-	-
Capital lease obligation		148,628	-	(29,890)	118,738	30,620
Net pension liability		335,245	7,747	-	342,992	-
Compensated absences		32,738	21,643	(29,606)	24,775	21,643
Total business-type activities						
long-term obligations		\$ 1,247,025	\$ 1,398,298	\$ (125,962)	\$ 2,519,361	\$ 143,109

OPWC loans payable: The City has entered into two debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund 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, 2015, the City has outstanding borrowings of \$2,032,856 in the sewer fund which matures on January 1, 2036. The loan agreements require semi-annual payments based on the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

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

<u>Year Ending December 31,</u>	<u>OPWC Loan Principal</u>
2016	\$ 90,846
2017	138,999
2018	117,657
2019	96,306
2020	96,306
2021 - 2025	481,530
2026 - 2030	481,530
2031 - 2035	481,530
2036	<u>48,152</u>
Total	<u>\$ 2,032,856</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, 2015, the City's total debt margin was \$10,656,682 and the unvoted debt margin was \$5,582,072.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - RISK MANAGEMENT

A. Liability Insurance

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

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 50% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 47% or \$250,000 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

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

	<u>2014</u>	<u>2013</u>
Assets	\$14,830,185	\$13,774,303
Liabilities	<u>(8,942,504)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$5,887,681</u>	<u>\$5,805,908</u>

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

B. Employee Health Insurance

During 2015, the City provided employees' health insurance through Anthem Blue Cross and Blue Shield. The City offered dual health insurance plans, a traditional plan and an HSA plan. Dental insurance is provided through Dental Select. Life insurance is provided through United Health Care. The premiums for dental and life insurance are paid monthly with the City paying one-hundred percent of the cost.

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - RISK MANAGEMENT - (Continued)

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 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension obligation payable* on both the accrual and modified accrual bases of accounting.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

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

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

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$123,087 for 2015. Of this amount, \$5,520 is reported as pension and postemployment benefits payable.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$172,263 for 2015. Of this amount \$7,212 is reported as pension and postemployment benefits payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate share of the net pension liability	\$ 1,017,235	\$ 1,806,251	\$ 2,823,486
Proportion of the net pension liability	0.008434%	0.03486690%	
Pension expense	\$ 111,543	\$ 176,096	\$ 287,639

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 54,276	\$ 77,848	\$ 132,124
Difference between employer contributions and proportionate share of contributions	1,933	-	1,933
City contributions subsequent to the measurement date	<u>123,087</u>	<u>172,263</u>	<u>295,350</u>
Total deferred outflows of resources	<u>\$ 179,296</u>	<u>\$ 250,111</u>	<u>\$ 429,407</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 17,871	\$ -	\$ 17,871
Difference between employer contributions and proportionate share of contributions	-	380	380
Total deferred inflows of resources	<u>\$ 17,871</u>	<u>\$ 380</u>	<u>\$ 18,251</u>

\$295,350 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2016	\$ 6,215	\$ 19,367	\$ 25,582
2017	6,215	19,367	25,582
2018	12,339	19,367	31,706
2019	<u>13,569</u>	<u>19,367</u>	<u>32,936</u>
Total	<u>\$ 38,338</u>	<u>\$ 77,468</u>	<u>\$ 115,806</u>

Actuarial Assumptions - OPERS

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 1,871,420	\$ 1,017,235	\$ 297,805

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 2,498,318	\$ 1,806,251	\$ 1,220,280

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - 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 Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (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 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

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, 2015, 2014, and 2013 were \$20,515, \$20,684, and \$10,266, respectively; 96.16% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

B. Ohio Police and Fire Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OPF, 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 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$3,688 and \$762 for the year ended December 31, 2015, \$3,187 and \$356 for the year ended December 31, 2014, and \$26,410 and \$2,975, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 97.09% has been contributed for police and 91.43% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the street construction, maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ 132,771	\$ 76,336
Net adjustment for revenue accruals	65,829	790
Net adjustment for expenditure accruals	(20,435)	(382)
Net adjustment for other sources/uses	48,310	-
Funds budgeted elsewhere	8,965	-
Adjustment for encumbrances	<u>21,872</u>	<u>2,881</u>
GAAP basis	<u>\$ 257,312</u>	<u>\$ 79,625</u>

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

NOTE 17 - 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, 2015.

B. Litigation

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

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 - 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, commitments for encumbrances in the City's major funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 13,031
Street construction, maintenance and repair fund	291
Nonmajor governmental funds	<u>35,000</u>
Total	<u>\$ 48,322</u>

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BROOKVILLE
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19 - 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	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 11,148	\$ 14,355	\$ -	\$ -	\$ 25,503
Prepayments	<u>41,016</u>	<u>9,261</u>	<u>-</u>	<u>-</u>	<u>50,277</u>
Total nonspendable	<u>52,164</u>	<u>23,616</u>	<u>-</u>	<u>-</u>	<u>75,780</u>
Restricted:					
Capital projects	-	-	690,526	-	690,526
Transportation	-	253,447	-	-	253,447
Public safety programs	-	-	-	5,511	5,511
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,878</u>	<u>51,878</u>
Total restricted	<u>-</u>	<u>253,447</u>	<u>690,526</u>	<u>57,389</u>	<u>1,001,362</u>
Committed:					
Capital projects	-	-	-	275,056	275,056
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,718</u>	<u>8,718</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,774</u>	<u>283,774</u>
Assigned:					
General government	13,000	-	-	-	13,000
Subsequent year appropriations	<u>49,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,267</u>
Total assigned	<u>62,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,267</u>
Unassigned	<u>2,118,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,118,550</u>
Total fund balances	<u>\$ 2,232,981</u>	<u>\$ 277,063</u>	<u>\$ 690,526</u>	<u>\$ 341,163</u>	<u>\$ 3,541,733</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.008434%	0.008434%
City's proportionate share of the net pension liability	\$ 1,017,235	\$ 994,259
City's covered-employee payroll	\$ 1,057,550	\$ 1,027,008
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.19%	96.81%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.03486690%	0.03486690%
City's proportionate share of the net pension liability	\$ 1,806,251	\$ 1,698,128
City's covered-employee payroll	\$ 748,716	\$ 790,424
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	241.25%	214.84%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 122,663	\$ 126,906	\$ 133,511	\$ 104,014
Contributions in relation to the contractually required contribution	<u>(122,663)</u>	<u>(126,906)</u>	<u>(133,511)</u>	<u>(104,014)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,022,192	\$ 1,057,550	\$ 1,027,008	\$ 1,040,140
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
 <i>Combined Plan:</i>				
Contractually required contribution	\$ 424	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(424)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,533	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 106,543	\$ 93,749	\$ 83,996	\$ 75,321	\$ 88,234	\$ 105,685
<u>(106,543)</u>	<u>(93,749)</u>	<u>(83,996)</u>	<u>(75,321)</u>	<u>(88,234)</u>	<u>(105,685)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,065,430	\$ 1,050,998	\$ 1,033,161	\$ 1,076,014	\$ 1,056,695	\$ 1,148,750
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

CITY OF BROOKVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 136,471	\$ 128,808	\$ 112,820	\$ 82,160
Contributions in relation to the contractually required contribution	<u>(136,471)</u>	<u>(128,808)</u>	<u>(112,820)</u>	<u>(82,160)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 718,268	\$ 677,937	\$ 710,453	\$ 644,392
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 35,792	\$ 16,633	\$ 16,298	\$ 13,794
Contributions in relation to the contractually required contribution	<u>(35,792)</u>	<u>(16,633)</u>	<u>(16,298)</u>	<u>(13,794)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 152,306	\$ 70,779	\$ 79,971	\$ 79,965
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 86,159	\$ 83,224	\$ 80,250	\$ 84,878	\$ 73,492	\$ 71,130
<u>(86,159)</u>	<u>(83,224)</u>	<u>(80,250)</u>	<u>(84,878)</u>	<u>(73,492)</u>	<u>(71,130)</u>
<u>\$ -</u>					
\$ 675,757	\$ 652,737	\$ 629,412	\$ 665,710	\$ 576,408	\$ 605,362
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 12,806	\$ 12,332	\$ 11,914	\$ 11,954	\$ 10,526	\$ 10,197
<u>(12,806)</u>	<u>(12,332)</u>	<u>(11,914)</u>	<u>(11,954)</u>	<u>(10,526)</u>	<u>(10,197)</u>
<u>\$ -</u>					
\$ 74,238	\$ 71,490	\$ 69,067	\$ 69,299	\$ 61,020	\$ 60,878
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

CITY OF BROOKVILLE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 3, 2016 wherein we noted the City adopted GASB Statement No. 68 and 71 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.

Wilson, Shannon & Snow, Inc.

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
June 3, 2016



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 12, 2016**